

**An integrated conceptual diagnostic governance framework to address
performance sustainability challenges of municipalities in South Africa**

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**Dissertation presented for the degree Doctor of Philosophy in Public
Management in the School of Public Leadership, Faculty of Economic and
Management Sciences at the University of Stellenbosch**



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March 2020

DECLARATION

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Date: March 2020

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ABSTRACT

In South Africa, local government touches the lives of everybody, every day. Local government is regarded as the closest sphere of government to communities and represents all of government at this level. A functional and developmental local government is a necessary requirement for an effective developmental state. However, more than 20 years post the implementation of various local government legislative policy reforms and the rollout of special targeted programmes to municipalities, most continue to struggle to render basic services adequately to citizens and, as a consequence, have not even started giving effect to their developmental role as envisaged in the Constitution of South Africa.

Notwithstanding the progress and advancements made since the dawn of democracy, it is becoming progressively challenging for government to accelerate development because of the difficulties and complications associated with institutionalising good governance in municipalities to address issues such as corruption, mismanagement and maladministration, particularly within the local government sphere. Municipalities in South Africa are swamped with many challenges impacting and threatening the sustainability of local government performance, and many are struggling to fulfil their obligations as set out in Section 152 of Constitution. The municipal performance outcomes over the last two decades paint a very gloomy picture of some leadership, governance, financial management, financial health and accountability fault lines, which have hampered municipalities from delivering municipal services on a sustainable basis.

This dissertation aims to respond to the question of why municipalities are unable to deliver on their core service delivery mandate and give effect to the local government developmental objectives as envisaged in the Constitution and the myriad of local government statutes. The research also explores what should be put in place to ensure that municipalities or local government gives effect to the local government developmental agenda in a sustainable manner.

In this regard, the dissertation proposes an integrated municipal conceptual diagnostic governance framework that identifies the main good governance and performance elements that will ensure and lay the basis for sustainable municipal performance. The

proposed municipal good governance and performance model identifies the good governance dimensions, key composite indicators and serves as a diagnostic model and early detection or warning system for municipalities and oversight institutions to proactively respond to looming governance, performance and delivery challenges.

In constructing the municipal good governance and performance model, this dissertation responds to three main questions, namely: (1) what are the inherent requirements for municipal performance in South Africa; (2) what role does good governance play in municipal performance; and (3) what is the nexus between good governance and municipal performance.

Given the reliance on the researcher's own experience in relation to understanding the local government landscape, the researcher applied a qualitative research paradigm in developing the good governance and performance model, using an insider or emic perspective. The model validation process is complemented by the use of a highly specialised focus group supplemented by case studies at four selected municipalities in the Western Cape.

The concept of organisational performance is very common in the academic literature, yet it remains elusive and very difficult to define because of its many meanings. To fully grasp the concept requires a multidimensional lens, particularly within the public sector where organisational performance is primarily expressed in terms of economy, effectiveness, efficiency, appropriateness and impact of service delivery and being more responsive to citizen needs. In Chapter 3, the researcher analyses 12 organisational performance models and theoretical frameworks, each providing a different approach to the concept, yet as a collective these provide the researcher with some key points and indicators that inform the local government governance and performance model.

Chapter 2 of this dissertation provides a range of definitions sourced from many authors and literature for the concept of 'governance', with some authors suggesting that, given the wide usage of the concept, it can be imprecise, although it has strong intuitive appeal, particularly in the public sector as it relates to achieving policy and organisational objectives. Within the public sector, government refers to the structures and functions of public institutions, whilst governance refers to the way government gets its job done most efficiently and effectively. Good governance is about doing the

right things right, focusing on the organisation's purpose, vision and on outcomes for citizens and service users based on the principles of building public trust, citizen and stakeholder participation and engagement, mainstreaming and institutionalising transparency and accountability, following the rule of law, being responsive, consensus oriented and striving for achieving equity, efficiency and effectiveness in service delivery. These good governance principles inform the municipal good governance and performance model set out in Chapter 6 of this dissertation.

The primary legal and regulatory basis within the municipal environment that informs the municipal good governance and performance model is provided in chapters 4 and 5 of this dissertation and are underpinned by an analysis of the main definitions and legal concepts, the history of local government in South Africa, and an analysis of the intergovernmental relations system of local government as provided in the Constitution and many local government statutes, most notably, the 1998 White Paper on Local Government, the Structures Act, the Systems Act and the MFMA.

There have been mixed views on whether or not there is a causal relationship or link between good governance and municipal performance, with some researchers arguing that there is a strong nexus that leads to better development outcomes, whilst others find the relationship to be insignificant and good governance to be no guarantee of superior performance and maybe even irrelevant. However, many researchers agree that good governance matters, that effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery thereby contributing to the improvement of peoples' lives and that effective governance is essential for building confidence in public sector entities. Furthermore, effective governance can improve management, leading to more effective implementation of the chosen interventions, and better service delivery; it is characterised by robust scrutiny, which provides important pressure for improving public sector performance and tackling corruption.

There is no conclusive evidence on the nexus or relationship between good governance and organisational performance, except to make the point that 'bad governance' will over time progressively lead to poor organisational performance and poor public value creation. The underlying principle that good governance, as it is

generally perceived, leads to better organisational performance is not questioned and therefore it can be concluded that good governance is a necessary means and can be highly influential on municipal performance. However, good governance is necessary, but on its own is an insufficient condition for municipal performance, given the various other factors influencing this performance.

Given the current state of local government juxtaposed against the intended long-term vision set by the NDP, particularly Outcome 9, the proposed municipal good governance and performance model or framework, as espoused in Chapter 6 of this dissertation, will have both current and future value in addressing many municipal governance and performance challenges in local government. If applied correctly, the model or framework can contribute to enhanced financial and non-financial performance by municipalities, resulting in improved audit outcomes, responsive, accountable and transparent local government, as well as positively contribute to building trust between the municipality, its community and stakeholders.

OPSOMMING

In Suid-Afrika word almal se lewens daaglik deur plaaslike regering aangeraak, word dit beskou as die naaste sfeer van regering aan gemeenskappe en dit verteenwoordig die regering in geheel op plaaslike vlak. 'n Funksionele en ontwikkelende plaaslike regering is 'n noodsaaklike vereiste vir 'n effektiewe ontwikkelingstaat. Nietemin, meer as 20 jaar na die implementering van verskillende wetgewende beleidshervormings in die plaaslike regering en die implementering van spesiale geteikende programme by munisipaliteite, sukkel die meeste munisipaliteite steeds om die basiese dienste toereikend aan die burgers te lewer, en het gevolglik nog nie eens begin om effek te gee aan hul ontwikkelingsrol soos beoog in die Grondwet van Suid-Afrika nie.

Nieteenstaande die vordering en vooruitgang wat sedert die aanbreek van demokrasie gemaak is, raak dit geleidelik uitdagender vir die regering om die ontwikkeling te bespoedig weens die probleme en komplikasies wat verband hou met die institusionalisering van goeie regeringsbestuur in munisipaliteite om probleme soos korrupsie, wanbestuur en wanadministrasie, veral binne die plaaslike regeringsfeer, aan te spreek. Munisipaliteite in Suid-Afrika word oorweldig deur vele uitdagings wat die volhoubaarheid van plaaslike regeringsprestasies beïnvloed en bedreig, en baie sukkel om hul verpligtinge ingevolge artikel 152 van die Grondwet na te kom. Die munisipale prestasie-uitkomstes oor die afgelope twee dekades is 'n baie sombere prentjie van sommige van die leierskap, regeringsbestuur, finansiële bestuur, finansiële gesondheid en rekenpligtigheid wat munisipaliteite belemmer om munisipale dienste op 'n volhoubare basis te lewer.

Hierdie proefskrif het ten doel om te antwoord op die vraag waarom munisipaliteite nie in staat is om te presteer op hulle kern diensleweringsmandaat nie, en om uitvoering te gee aan die ontwikkelingsdoelwitte van die plaaslike regering, soos ingevolge die Grondwet en die magdom plaaslike regeringsverordeninge. Die navorsing ondersoek ook wat ingestel moet word om te verseker dat munisipaliteite of plaaslike regering op 'n volhoubare manier uitvoering gee aan die ontwikkelingsagenda van die plaaslike regering.

In hierdie verband stel hierdie proefskrif 'n geïntegreerde raamwerk vir munisipale konseptuele diagnostiese bestuur voor wat die belangrikste elemente van goeie

bestuur en prestasie identifiseer wat die basis vir volhoubare munisipale prestasie sal verseker en sal daarstel. Die voorgestelde munisipale goeie regeringsbestuur- en prestasiemodel identifiseer die omvang van goeie regeringsbestuur, sleutelsaamgestelde aanwysers en dien as 'n diagnostiese model en vroeë opsporing- of waarskuwingstelsel vir munisipaliteite en toesighoudende instellings om proaktief te reageer op dreigende regeringsbestuurs-, prestasie- en leweringsuitdagings.

Met die ontwikkeling van die munisipale model vir goeie regeringsbestuur en prestasie reageer hierdie proefskrif op drie hoofvrae, naamlik (1) wat die inherente vereistes vir munisipale prestasie in Suid-Afrika is; (2) watter rol goeie bestuur in munisipale prestasies speel en (3) wat die verband is tussen goeie regeringsbestuur en munisipale prestasie.

Gegewe die vertroue op die eie ervaring van die navorser met betrekking tot die begrip van die plaaslike regeringsomgewing, pas die navorser 'n kwalitatiewe navorsingsparadigma toe met behulp van 'n insider- of emiese perspektief. Die bekragtigingsproses van die model is aangevul deur die gebruik van 'n hoogs gespesialiseerde fokusgroep aangevul deur gevallestudies in vier geselekteerde munisipaliteite in die Wes-Kaap.

Die konsep van organisatoriese prestasie kom baie algemeen voor in die akademiese literatuur, maar dit bly steeds ontwykend en baie moeilik om te definieer vanweë die vele betekenisse daarvan. Dit verg 'n multidimensionele lens om die konsep ten volle te begryp, veral binne die openbare sektor waar organisatoriese prestasie hoofsaaklik uitgedruk word in terme van ekonomie, effektiwiteit, doeltreffendheid, toepaslikheid en impak van die dienslewering en om beter te reageer op die behoeftes van die burger. In hoofstuk 3 ontleed die navorser 12 organisatoriese prestasiemodelle en teoretiese raamwerke, wat elkeen 'n ander benadering tot die konsep bied, maar gesamentlik gesien het dit die navorser van 'n paar sleutelpunte en aanwysers voorsien wat die bestuur en prestasiemodel van die plaaslike owerheid ingelig het.

Hoofstuk 2 van hierdie proefskrif bied 'n verskeidenheid definisies wat van baie skrywers en literatuur verkry word vir die begrip 'regeringsbestuur', met sommige skrywers wat voorstel dat, gegewe die wye gebruik van die begrip, dit onakkuraat kan wees, hoewel dit 'n sterk intuïtiewe aantrekkingskrag het, veral in die openbare sektor omdat dit verband hou met die bereiking van beleids- en organisatoriese doelstellings.

Binne die openbare sektor verwys die regering na die strukture en funksies van openbare instellings, terwyl regeringsbestuur verwys na die manier waarop die regering sy werk op die mees doeltreffende en effektiewe manier verrig. Goeie regeringsbestuur gaan daaroor om die regte dinge reg te doen, met die fokus op die doel van die organisasie, sy visie en op uitkomste vir burgers en diensgebruikers, gebaseer op die beginsels van die opbou van openbare vertroue, deelname en betrokkenheid van die burger en belanghebbendes, in die hoofstroom plaas en institusionalisering van deursigtigheid en aanspreeklikheid, na aanleiding van die regstaat, om te reageer, konsensusgerig te wees en te strew na billikheid, doeltreffendheid en effektiewe dienslewering. Hierdie beginsels vir goeie regeringsbestuur het die munisipale goeie bestuur en prestasiemodel wat in Hoofstuk 6 van hierdie proefskrif uiteengesit is, ingelig.

Die primêre wetlike en regulatoriese basis binne die munisipale omgewing wat die munisipale goeie bestuur en prestasiemodel ingelig het, is in hoofstukke 4 en 5 van hierdie proefskrif aangebied en word ondersteun deur 'n ontleding van die belangrikste definisies en regskonsepte.

Daar was gemengde sienings oor of daar 'n oorsaaklike of ander verband bestaan tussen goeie regeringsbestuur en munisipale prestasie, met sommige navorsers wat argumenteer dat daar 'n sterk verband is en dat dit lei tot beter ontwikkelingsuitkomste, terwyl ander die verhouding onbeduidend vind en verder dat goeie regeringsbestuur geen waarborg is vir uitmuntende prestasie nie en dat dit selfs irrelevant kan wees.

Baie van die navorsers is dit egter eens dat goeie regeringsbestuur van belang is, dat effektiewe regeringsbestuur in die openbare sektor die doeltreffende gebruik van hulpbronne kan aanmoedig, die aanspreeklikheid vir die bestuur van daardie hulpbronne kan versterk, bestuur en dienslewering kan verbeter en sodoende bydra tot die verbetering van die lewens van mense en dat effektiewe bestuur noodsaaklik is om vertroue in die openbare sektor te bou. Verder kan effektiewe regeringsbestuur bestuur verbeter, wat lei tot meer effektiewe implementering van die gekose intervensies, en beter dienslewering; dit word gekenmerk deur sterk ondersoek wat belangrike druk bied om prestasies in die openbare sektor te verbeter en korrupsie aan te pak.

Daar is geen afdoende bewyse oor die nexus of die verband tussen goeie regeringsbestuur en organisatoriese prestasie nie, behalwe om die punt te maak dat 'slegte regeringsbestuur' mettertyd geleidelik tot swak organisatoriese prestasie en swak openbare waardeskepping sal lei.

Die onderliggende beginsel dat goeie bestuur, soos algemeen waargeneem, tot beter organisatoriese prestasie lei, word nie bevraagteken nie, en derhalwe kan die gevolgtrekking gemaak word dat goeie regeringsbestuur 'n noodsaaklike middel is en baie invloedryk op munisipale prestasie kan wees. Goeie bestuur op sy eie is egter 'n onvoldoende voorwaarde vir munisipale prestasie, gegewe die verskillende faktore wat hierdie prestasie beïnvloed.

Gegewe die huidige stand van plaaslike regering, saamgestel teen die voorgenome langtermynvisie wat deur die Nasionale Ontwikkelingsplan opgestel is, veral Uitkoms 9, sal die voorgestelde munisipale goeie bestuur en prestasiemodel of raamwerk, soos uiteengesit in Hoofstuk 6 van hierdie dissertasie, beide huidige en toekomstige waarde hê in die hantering van baie munisipale bestuur en prestasie-uitdagings in die plaaslike regering. As dit korrek toegepas word, kan die model of raamwerk bydra tot die verbeterde finansiële en nie-finansiële prestasie deur munisipaliteite, wat lei tot verbeterde oudituitkomstes, responsiewe, verantwoordbare en deursigtige plaaslike regering, sowel as 'n positiewe bydrae tot die opbou van vertroue tussen die munisipaliteit, sy gemeenskap en belanghebbendes.

ACKNOWLEDGEMENTS

Carrying out the requisite research work and then writing this PhD thesis was, undoubtedly, one of the most arduous tasks I have ever undertaken. However, one of the joys of having completed this thesis is looking back and acknowledging those who have helped and guided me during this journey and throughout my life.

Firstly, to God be all the glory and the honour, for the great and amazing things He has done. Thank You for providing me with the opportunity, the strength, and the capacity to complete this PhD.

To my life coaches and role models, my late dad Regoise Malila, and my mom, Magdalene Malila: I owe it all to you. Many thanks for setting the example – for your vision, your passion, your guidance and inspiration, and for always encouraging your children to do their best. Without you, I would not be the person I am today.

To my wife, Gwen, and my children, Chloe-Annah and Noah-Caleb, thank you for your love, support, encouragement, and unwavering belief in me. You have made it possible for us to undertake this journey as a family. I celebrate you as an integral part of this achievement. My wife Gwen, a special word of thanks to you my angel, for your unconditional love and uncompromising support and for being my best friend, my lover, my muse, my proofreader and my sounding board. Thank you for literally keeping the fire going throughout the 2019 winter period; for keeping me company during the late nights and early mornings, particularly over the past few months. Thank you for keeping things together at home and for supporting our children during my research period outside of the country. But most of all, thank you for being you. I owe you everything. We made it, together! I love you.

My sincere gratitude to my amazing, encouraging and ever-enthusiastic siblings who have always given me moral and emotional support; thank you for believing that I could do this. I salute you!

- Neville, for your special guidance, direct leadership, support, and encouragement – you are setting an amazing example for all of us as a true and inspirational leader;

- Hilton, for your sense of humour and for bringing fun and laughter into our family space. Losing you earlier this year was not easy. I still miss you very much, my brother. May your soul rest in eternal peace;
- Chereen, your support and encouraging personality is unexplainable. You keep us together in your own special way;
- David, for your prayers and special spiritual messages of encouragement throughout this journey;
- Curtis, for your silent, yet impactful support and belief that I could do this; and
- Naomi, for just being present.

I am also grateful to my vast extended family from both my wife's side and my own, and to friends who have supported me along the way. You have all been wonderful.

I would like to thank my two supervisors, Professor Johann Burger and Doctor Dirk Brand, for your consistent guidance, tutelage, support, unparalleled knowledge, and encouragement, without which this thesis would never have existed.

This list of acknowledgements can only capture a fraction of the people who have supported my work. I send my deep thanks to all. Your contribution to this dissertation has been vital.

I hope that this thesis inspires my kids, the children in my own family, living in both the old and new worlds, in the hope that as they grow, they may find the inspiration to achieve their dreams and reach even greater heights. You are the greatest of our treasures. You are our future.

All praise and honour to the Almighty God.

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ACRONYMS

AAF-SAP	African Alternative Framework – Structural Adjustments Programme
ADB	Asian Development Bank
AGSA	Auditor-General of South Africa
ANC	African National Congress
APPER	African Priority Program for Economic Recovery
APRM	African Peer Review Mechanism
B2B	Back-2-Basics
BMI	Business Management Ideas
BSC	Balanced Scorecard
CIPE	Centre for International Private Enterprises
CIPFA	Chartered Institute of Public Finance and Accountancy
DCoGTA	Department of Cooperative Governance and Traditional Affairs
DIRCO	Department of International Relations and Cooperation
DPLG	Department of Provincial and Local Government
DPME	Department of Performance Monitoring and Evaluation
DPSA	Department of Public Service and Administration
ESP	Execution, Strategy and People
EU	European Union
FFC	Financial and Fiscal Commission
FMPPI	Framework for Managing Programme Performance Information

HPO	High Performance Organisation
ICLD	International Centre for Local Democracy
IDA	International Development Association
IDP	Integrated Development Plan
IFAC	International Federation of Accountants
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
IoD	Institute of Directors
IoG	Institute of Governance
LGBER	Local Government Budget and Expenditure Review
LGMTEC	Local Government Medium Term Expenditure Committee
LGTAS	Local Government Turnaround Strategy
MEC	Member of Executive Council
MFMA	Local Government: Municipal Finance Management Act
MPPMR	Municipal Planning and Performance Management Regulations
MSG	Management Study Guide
MTREF	Medium Term Revenue and Expenditure Framework
NDP	National Development Plan
NEPAD	New Partnership for African Development
NPA	New Public Administration
NPM	New Public Management
NT	National Treasury

OECD	Organisation for Economic Co-operation and Development
OPM	Office for Public Management
POCA	Prevention of Corrupt Activities Act
PPP	Public Private Partnership
QMP	Quality Management Principles
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SEP-LG	Socio Economic Profile for Local Government
SoLGR	State of Local Government Report
STATS SA	Statistics South Africa
UN	United Nations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UN-PAAERD	United Nations Programme of Action for African Economic Recovery and Development
UPQ	Unit Performance Questionnaire
WPTPSD	White Paper on Transforming Public Service Delivery

CHAPTER 1: INTRODUCTION, RATIONALE, DESIGN AND METHODOLOGY

1.1 INTRODUCTION AND BACKGROUND

Local government in South Africa generally operates within a very complex legislative and service delivery environment. Notwithstanding some pockets of excellence, local government is being criticised for its performance over the last 20 years or so, which is viewed as far from optimal. This is despite the many financial and non-financial support initiatives provided by both provincial and national governments aimed at improving the overall delivery and performance of municipalities.

There is broad agreement on the fragility of local government in South Africa, albeit somewhat dissimilar diagnoses for this situation (Mbeleni, 2011; Holborn & Maloi, 2012; Brand, 2016; SoLGR, 2009). Brand (2015:1) highlights that “the annual reports from the AGSA, regular newspaper reports and political debates in different legislatures confirms the bad state of affairs in many municipalities”, and that “the consequences of various problems, particularly relating to the finances of municipalities, are often quite visible since it translates into bad or no service delivery”.

Mbeleni (2011:8) argues that this situation enables wholesale corruption and some corrupt politicians, service providers and municipal officials have exploited the lack, and in many cases, gaps and loopholes in good governance practices. He makes the point that these corrupt individuals have “descended on municipalities like vultures in looting state resources, nepotism, venality, mendacity and all these had adverse effects on service delivery and perpetuated underdevelopment” (Mbeleni, 2011).

Holborn and Maloi (2012), make a similar argument, pointing out that many of the 278 municipalities in the country do not function optimally, that performance between them varies and that “poor governance practices, a clear lack in administrative proficiency and ability, political cadre deployment, skills shortage, low quality of politicians in many cases leading to poor political oversight, corruption, and a lack of accountability have all been blamed for poor local government performance”. Plaatjies (2019), in a recent *Business Times* article confirms the views and findings of the FFC that there is an

increasing collapse of leadership, governance and management at municipalities, and that these contribute to “overwhelming levels of fraud and corruption at municipalities”.

The SoLGR (2009:4) identifies many stubborn governance and service delivery challenges in municipalities that have emerged over the last 20 or more years. These challenges, which remain at the pinnacle of government’s strategic priorities and plans, include:

- Backlogs and challenges in the delivery of basic services, such as electricity, provision of clean and safe water for human consumption, adequate sanitation and a shortage of integrated human settlements;
- An increasing number of service delivery protests, with many being violent and resulting in loss of life and the destruction of public infrastructure. In many cases, these are fuelled by inter- and cross-party political issues negatively affecting governance and service delivery;
- The proliferation of corrupt and fraudulent practices by politicians and municipal employees resulting in the loss of much-needed financial resources, business confidence and public trust and accountability;
- Lack of community relationships and consultation, poor public participation practices and public and private sector accountability, and weak civil society establishments and relationships; and
- Poor internal governance and insufficient internal municipal capacity and skills, in many cases resulting in poor service delivery and weak financial management practices leading to negative and poor audit outcomes.

These municipal governance and service delivery problems have, according to Mbeleni (2011), meant that “many municipalities continue to sink deeper into financial and administrative mayhem with no indication of a radical rescue plan on the horizon”. Similar to the State of Local Government Report (SoLGR, 2009), the National Treasury (NT, 2011) found that “all is not well in the local government sphere”. For the National Treasury (NT, 2011) the following problems underpin the poor state of municipality and local government service delivery in South Africa: lack of leadership; political conflicts; institutional weaknesses in policy formulation, planning and prioritisation;

poor performance management; conformance and compliance challenges; a lack of economic growth; demographic pressures arising from urbanisation; infrastructure challenges and poor governance. The Auditor-General of South Africa (AGSA) has confirmed most of these issues as reflecting in the audit outcomes of municipalities since 2008/09 to 2017/18, as reflected in Annexure 1A (2009/10-2017/18) and Annexure 1B (2008/09-2017/18). The above analysis summarises the distressed state of affairs within the system of local government governance and illustrates that it has become intensely entrenched within the system of municipal governance.

According to Cashdan (2002:1), although South Africa is a middle-income country, more than 50% of its citizens lack acceptable levels of education, clean and safe water for human consumption, nutrition, electricity and energy provision, proper housing and shelter, and general healthcare. In 1996, previous deputy president Thabo Mbeki made a speech in parliament on the adoption of the Constitution during which he lamented the “dismal shame of poverty”, and expressed that concerted efforts are required by the local authorities in the area of basic needs to enable service delivery as a basis for economic and social advancement and development of communities. Mbeki called for the establishment of ‘developmental local government’, as envisaged in the 1998 White Paper on Local Government to deal with the myriad of challenges municipalities face, such as service delivery backlogs, lack of financial means and resourcing, institutional weaknesses and segregation. Sheoraj (2015:235), borrowing from Mbeki’s speech, stresses that in order to overcome these challenges it is imperative that municipalities “work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives”.

The Local Government Turnaround Strategy (LGTAS), formulated in 2009 by the late Mr. Sicelo Shiceka, the erstwhile Minister for the Department of Cooperative Governance and Traditional Affairs (DCoGTA), intended to discover the origin and main causes of the current state of affairs and service delivery distress in many municipalities in the country. The State of Local Government Report (SoLGR, 2009) highlights both the countless challenges affecting the performance of municipalities that have emerged to varying degrees in different municipalities, as well as improvements made by many municipalities since 2001, particularly in rolling out and extending basic services to citizens.

In 2014, with the launch of the Back to Basics strategy for local government on its official website (B2B, 2014), the South African government acknowledged that, notwithstanding some delivery achievements and remaining challenges, particularly in delivering basic services (such as electricity, housing or shelter, water, refuse removal and sanitation), much more needs to be done and with much more urgency, “to support, educate and where needed, enforce implementation of local government’s mandate for delivery” (B2B, 2014). The National Development Plan (NDP, 2012) sets the following as key requirements for meeting the transformation or revolutionary agenda of government: capable machinery at local government level; functional municipalities that can create economically sustainable human settlements; and safe and healthy living areas where citizens, communities and people can live, work, play and socialise.

Now, more than two decades into the new system of local government, and about ten years after the release of the 2009 SoLGR, many diverse challenges remain that dent the advancement and accomplishments achieved thus far. Some of the major challenges include the lack of leadership and governance deficiencies, such as weak or limited accountability, transparency and responsiveness to the needs of communities, corruption, as well as high levels of financial and administrative mismanagement practices, particularly those not aimed for developmental purposes.

From an institutional governance perspective, municipalities have insufficient, and at times inappropriate, human resource capital to ensure proficient organisations. In many cases, good relations, as a key requirement for organisational performance, particularly between councils, management and labour, is limited or non-existent. The absence or failure of municipalities to ensure the dynamic participation and active involvement of citizens and broader communities in key local government processes, or only doing so to fulfil legal requirements, is another contributor to the sad state of affairs in local government.

Inappropriate approaches to community participation, which is a process whereby citizens’ priorities are supposed to be determined by government and shared with communities, and the lack of constructive citizen involvement in local government, which is a process of co-creation and co-production of public services, both contribute to the lack of trust in local government and are cited by the SoLGR (2009) and Mgwebi

(2010:3) as main reasons for continuous service delivery shortfalls and challenges contributing to the many protest actions visible throughout the country.

According to Brandsen, Steen and Verschuere (2018), co-creation and co-production occurs when citizens, as the receivers of public goods and services, actively participate in the design and delivery of services. It provides an opportunity for innovation, and creates joint or co-ownership and accountability between the public and government.

Given the contemporary New Public Management approaches, citizen participation has generally soared and increasingly come onto the agenda of policymakers. However, Mathoho (2010:23) makes the point that “many people lost confidence in participating in local government processes”, mainly as a result of the observation “that their participation is not recognized” or that communities are used merely “as a rubber stamp” to enable municipalities to conform with the legislative requirements for public and community participation in key municipal processes.

The New Public Management (NPM) approach to organisational performance is extensively discussed in Section 3.3.1 of this dissertation. NPM is founded on the principle that a successful government draws from the entrepreneurial spirit to revitalise itself given the focus on a better performing government, reduction of the bureaucratic and hierarchical organisational structure, excellence, improved productivity, cost savings, quality and competitiveness. However, the NPM approach has not been without critique, most notably contending that the model could distort the links between policymaking and providing services and bring about politicisation of the public service when managers are contracted under the pay-for-performance method. Further, it is criticised for downplaying the role of citizens in service delivery; for the model being inward looking to public institutions, and for inadequate transparency that contributes to poor service delivery.

Community expectations are high and, as a probable solution to the public sector's decreased legitimacy and declining resources, applying the principles of co-production and co-creation as a mechanism for accessing more of society's capacities and constructive community involvement, is regarded as a method of improving local government sustainability. Co-creation and co-production, which are also further discussed in Chapter 2 and Chapter 6 of this dissertation, are regarded as part of “a

more general drive to reinvigorate voluntary participation and strengthen social cohesion in an increasingly fragmented and individualized society” (Brandsen, Steen & Verschuere, 2018).

Through co-production and co-creation, the citizen is recognised and acknowledged as an important actor with responsibility for the design and implementation of public policies and public services. By applying the principles of co-creation and co-production, local governments embrace citizen engagement as a valuable way to overcome some real or perceived challenges with which they are confronted, like the need to make public service delivery more efficient, effective and democratic, and to restore trust in and satisfaction with government and politics. Beresford, et al. (1997:78, cited by Mathoho, 2010:23) makes the point that “user involvement is not an end in itself” but argues that it is a means or a process of achieving change in both the actions and behaviour of public sector (municipal) staff to ensure the maximum outcome in service delivery.

According to Kimemia (2010:1), “instead of waiting for the tensions to degenerate into runaway violence leading to unfortunate loss of lives and destruction of both private and public property, the responsible thing for the state to do is to be responsive to people’s grievances and respectfully give effect to the service delivery requirements of communities without undue delays” He makes the point that following a ‘putting the citizen first’ approach, i.e. “when there is greater openness and people are enjoined, genuinely, in decision-making processes, they tend to be more understanding and less susceptible to political manipulation regarding unfounded claims of mal-administration”.

In this regard, citizens will internalise a more truthful attitude and could become very valuable associates and partners in development rather than “perpetually disgruntled consumers of services”. It is the researcher’s view that municipal service delivery and performance sustainability goes far beyond the mere delivery of constitutionally determined basic services. Rather, local government performance includes the ability of a municipality to be responsive and to interface with various stakeholders in both internal and external environments. This includes communities, other municipalities, commerce and business, government entities, and key partners who give effect to the constitutional and national development objectives. Chapters 4 and 5 of this

dissertation elaborate on the requirements and benefits of community and citizen involvement ('public voice') in ensuring sustainable municipal performance.

Atkinson (2007:53) notes that many towns in South Africa have recently experienced mass community protest actions marked by civil society demonstrations, marches and petitions, with many turning into violent confrontations reminiscent of the rolling mass action and demonstrations prevalent in the late 1980s and early 1990s in the run up to the end of the apartheid era. These service delivery protests have continued, particularly during pre-municipal and provincial government elections in 2009, 2011 and 2016. The recent spate of destructive service delivery protest action across South Africa is a further example. According to *The Times* (2016:4), municipalities report the most frequently cited reasons for protests as inadequate access to services, lack of employment opportunities, poor quality of services and poorly maintained roads and other municipal infrastructure.

According to Mathoho (2010:23), the increased number of service delivery marches, protests and civil society demonstrations (by many poor and some rich), some peaceful and others violent, has in the main been as a result of underperforming municipalities and a lack of efficient and effective service delivery to communities. He makes the point that in the early stages of civil society unrest and community protests many municipal officials and politicians used to reject real concerns voiced by local people and in many cases did not react to them until provincial and national government intervened to salvage the situation. Mathoho (2010:24) ascribes the dismal performance to, amongst others, corruption and maladministration, lack of skills and managerial ability and proficiency, weak political and administrative interface, lack of political will, interference by politicians in public administration, intergovernmental relations challenges, institutional weaknesses, political power struggles and weak basic administrative systems. These are all 'good governance' challenges.

Whilst acknowledging the major developmental role that municipalities have played in providing and extending constitutionally mandated basic services like electricity, water, refuse removal, sewage, and safe and clean streets to the vast majority of previously disadvantaged people that did not have access to these services, particularly during the apartheid years, Scheepers (2015:3) makes the point that "after more than twenty years into democracy, there is concern across the board about the

efficiency, effectiveness and sustainability of local government”, and particularly its ability to deliver services in a sustainable manner.

These diverse challenges, which mainly point to governance failures, are highlighted in the recent 2016/17 SoLG Report and in the annual AGSA reports since 2013/2014 up until 2017/2018. Other role-players that highlight these challenges include the National Treasury, the DCoGTA, the AGSA and the DPME, all of which have confirmed these major reasons for the generally negative views and perception of the overall performance of, and service by, municipalities in the country.

This research identifies some key inherent municipal governance and performance requirements that will enable the achievement of a functional state and, within the context of local government, a functional municipality. It touches on the major causes for governance and performance failures and makes recommendations on measures required to address the many challenges and fault-lines in the local government governance system.

The goal of this dissertation is to develop a conceptual municipal good governance and performance model that will highlight key municipal performance areas and governance requirements aimed at guiding municipalities on critical inherent good governance requirements that should be institutionalised to assist municipalities to achieve their stated objectives and execute their developmental role as espoused in the Constitution, the 1998 White Paper on Local Government and the National Development Plan 2030. A key component of this dissertation is also to determine the nexus between good governance and municipal performance.

1.2 RATIONALE AND RELEVANCE FOR THIS STUDY

The 1996 Constitution of South Africa, the 1998 White Paper on Local Government and an array of local government legislation and policy documents, moulded local government as the epicentre of the delivery systems of the three spheres of government. Mogale (2003, cited by Koma, 2010:111) places local government “at the heart of poverty eradication initiatives”. Local government in South Africa plays a crucial role in driving the developmental local government agenda aimed at contributing to the advancement of social and economic development in communities,

whilst concurrently ensuring the deepening and strengthening of the democratic philosophy and principles enshrined in the Constitution. In this regard, it is key for local government to be functional, responsive to the needs of the citizen and accountable to the public at large. Local government, being the closest to the people and in many cases the first point of contact between communities and a public sector institution, is generally referred to as being at the coalface of delivery of public services. This government sphere – responsible for ensuring a minimum level of constitutionally determined service delivery standards to ensure a decent living standard for all citizens – can be regarded as ‘everyone’s business’.

The National Development Plan (NDP), in particular its Outcome 9 in which municipal performance sustainability is addressed, builds on the policy objectives as set out in the Constitution and the 1998 White Paper on Local Government, arguing that local government should:

- Be “at the forefront of participatory democracy, involving citizens in meaningful deliberations regarding governance and development”;
- Be “responsive to citizens’ priorities”;
- Enjoy “high levels of trust and credibility amongst the public”;
- Have employees that “are skilled, competent and committed to delivering quality services”;
- Be “able to cost-effectively increase the quantity and quality of services; and”
- Operate “within a supportive and empowering intergovernmental system”.

However, the current reality within local government is starkly different to the policy aims and objectives of the 1998 White Paper. As indicated earlier, the local government environment is fraught with challenges and these negatively impact on service delivery sustainability and municipal performance in key areas, particularly those highlighted in Outcome 9 of the NDP; the objectives reflected as (a) to (f) in the 1998 White Paper; and the aims of section 152 of the Constitution. It is the view of the writer that, although there are some small ‘pockets of excellence’, on aggregate very little has been done to date, in a meaningful way, to give effect to, and ensure delivery

of, local government objectives, key policy proposals set out in the 1996 Constitution, various pieces of local government statutes and the respective local government policy documents. A detailed discussion and analysis of key concepts underpinning developmental local government and the local government objectives are discussed from a legislative and policy perspective in Chapter 4, sections 4.2.2.1 and 4.3.

This dissertation sets out the legislative, policy, governance and performance arrangements, which are underpinned by an extensive literature review that will support municipalities to: (a) be at the centre of implementing the principles of participatory democracy, involving citizens in partnering arrangements to co-create solutions and encourage insightful discussions and deliberations regarding governance, performance and development; (b) be responsive and citizen-focussed, considering citizens' priorities and the areas that must be prioritised; (c) understand the key requirements to establish and enjoy high levels of credibility and public trust; (d) instil a culture of fairness by employing staff that are committed, capacitated, competent, skilled and responsive to delivering quality services and who improve management and operational capabilities of the institution; (e) to progressively (considering cost and impact) increase and expand the quality and quantum of services and benefits from shared economic growth initiatives; and (f) to improve co-operative governance, partnerships within and outside of government and operate and achieve maximum benefits from the structured and empowering intergovernmental relations system within and across the three spheres of government, the public and broader community. All initiatives and proposals flowing from this dissertation are aimed at instilling good governance practices as a means to progressively improve the performance of municipalities and give effect to the 'developmental local government' agenda by improving and extending services to communities and stakeholders.

The key challenges at local government level since around 2004 have been adequately described by numerous pieces of literature, such as the 1998 Local Government White Paper (a founding key policy document), the 2009 State of Local Government reports, the 10, 15 and 20 year reviews of South Africa, the annual publications from the National Treasury and the DCoGTA on the state of financial management, the annual municipal audit outcomes from the AGSA, and various other publications. Most of these challenges and performance issues are as a result of persistent governance failures, including poor financial management practices

resulting in poor audit outcomes, widespread corruption and political interference, high levels of distrust by communities in the system of local government, weak accountability arrangements, limited community and stakeholder involvement in the business of local government, employees and management that are incompetent and not committed to front line service delivery, poor infrastructure requiring urgent upgrades, poor governance and oversight arrangements and poor to non-existent intergovernmental interfaces. Brand (2016), in his presentation on financial governance reforms in South Africa, confirms most of these governance challenges and their associated impact on local government performance and service delivery.

Chapter 2 of this dissertation is entirely devoted to understanding the concept of 'governance', its various dimensions, forms and models, and particularly the elements of good governance in the public sector. The chapter demonstrates how this lays the basis for responsive, transparent and accountable local government.

If local government wishes to achieve the objective and aspiration of a transformed, progressive, developmental and effective local government system, it requires strong political and administrative leadership underpinned by a visionary long-term strategy that is clear, consistent with that of a developmental state and well understood by all role-players in the local government space. However, the NDP (2012:1) cautions that "such a developmental state cannot materialise by decree, nor can it be legislated or waved into existence by declarations". A developmental state must be progressively, consciously, yet intentionally built and with urgency, but in a sustainable manner.

Therefore, with relevance to the performance of municipalities, the fundamental question remains: over more than 20 years of democracy, has South Africa really made progress as a nation to alleviate inequality and poverty, chiefly as it relates to the role and functions of local government? Chapter 3 responds to this fundamental question and includes an honest assessment of the country's progress and performance over the last two decades of democracy, particularly on how far South Africa has come as a nation to implement and give effect to section 152 of the Constitution, which sets out the primary objects of local government, in the main, to alleviate poverty and inequality; improving access to basic services; building an efficient, effective and functional local government system; creating democratic and

accountable local government; and fostering community and stakeholder involvement in local government affairs, enabling a sustainable local government system.

Section 152 of the Constitution, which sets out the objectives of local government, is the basis against which local government performance is assessed and evaluated in this study. Chapter 3, in sections 3.2.4 and 3.5, expands on organisational performance and the public sector, whilst Chapter 5, section 5.4, explains how these local government objectives feed into the proposed municipal good governance and performance model. Of importance, and covered in Chapter 3, is to identify what should be done differently in the local government arena to ensure that services (not just basic services) are rendered in a developmental and sustainable basis.

This dissertation is particularly relevant and applicable, as municipalities seem increasingly unable to sustainably deliver on their service delivery obligations and key outcomes, particularly to give effect to the developmental long-term aims and objectives of local government. These long-term developmental goals and objectives are set out in section 152 of the Constitution and further espoused in the 1998 White Paper on Local Government, as well as many other pieces of legislation and policy documents designed to sustainably expand the service delivery performance of municipalities and the practical application of the local government system. These legislation and documents are all aimed at progressively improving the lives of citizens. As indicated earlier, on many fronts the evidence is clear that municipalities in South Africa are not delivering on what is required by the citizenship and are not meeting the service delivery requirements and expectations of the communities that they serve, in the main due to governance failures, some of which were highlighted earlier.

Given the less than optimal local government performance over the last 20 years, with mostly the same problems plaguing the local government system, the situation requires a renewed approach to ensure that essential governance arrangements are in place that will ensure, or as a minimum provide, a solid base for municipal performance. This dissertation contributes towards achieving the main objectives set out earlier in this chapter and will assist in shaping local government that institutionalises good governance practices by being responsive, transparent, accountable, following the rule of law and having respect for human rights, all of which is aimed at ensuring delivery of the constitutionally stated and developmental

objectives of local government. This has the further aim of progressively and sustainably improving the institutional performance of municipalities and the living conditions of the citizen. The proposed municipal good governance and performance model, set out in Chapter 5 of this dissertation, provides the basis for municipal performance and demonstrates the theoretical link between good governance and municipal performance.

1.3 RESEARCH PROBLEM

According to Madumo (2015, cited by Tirivangasi, et al., 2017:17), since 1994, “the South African government has taken great strides in ensuring development and the promotion of economic growth through legislation targeted at improving the general wellbeing of its citizens”, particularly impoverished communities, the vulnerable and indigents (the poor). The recent release by Stats SA of the non-financial census of municipalities in 2017, generally points to improved service delivery between 2011 and 2016, with an increased proportion of citizens getting frontline basic services from municipalities. SALGA (2018) is of the view that this release by Stats SA provides “empirical evidence that municipalities are delivering services and continuously working to improve the quality of life in the communities they serve”.

However, according to Madumo (2015:154), notwithstanding the progress and advancements made since the dawn of democracy, it is becoming progressively “challenging for government to accelerate development” because of the difficulties and complications associated with institutionalising good governance in municipalities to address issues such as corruption, mismanagement and maladministration, particularly within the local government sphere. Municipalities in South Africa are swamped with many challenges impacting on their performance, and many are struggling to fulfil their obligations as set out in section 152 of Constitution, section 4 of the Municipal Systems Act, and the development objectives advocated in the 1998 White Paper on Local Government. The most recent 2016/17 report by the AGSA on municipal outcomes paints a very gloomy picture of some of the leadership, governance, financial management, financial health and accountability fault-lines, which have hampered municipalities from delivering municipal services on a sustainable basis, or will do so if not addressed.

National and provincial governments and other role-players have already committed substantial amounts of financial resources, effort and capacity building initiatives to improve local government capacity and performance and to enable municipalities to deliver on the developmental local government agenda and the execution of key frontline municipal services on a progressive and sustainable basis. Notwithstanding this effort to comprehensively turn around local government, key challenges remain that threaten the sustainability of local government performance. These challenges, described earlier in the chapter, prevent municipalities from giving effect to and delivering on the local government developmental agenda as envisaged in the Constitution, the 1998 White Paper on Local Government, the Municipal Structures Act, the Municipal Systems Act and the Municipal Finance Management Act.

Given the new mandate of local government, municipalities or local government are also required to serve as agents of development and are therefore no longer limited to only rendering the basic basket of municipal services. However, more than 20 years after the implementation of various local government legislative policy reforms and the rollout of special targeted programmes at municipalities, most municipalities continue to struggle to render basic services adequately to citizens and, as a consequence, have not even started giving effect to their developmental role in ensuring performance sustainability of local government.

The proposed municipal good governance and performance model as set out in Chapter 5 has full relevance, particularly for municipalities that currently have performance sustainability issues, but can also serve as a guiding framework that can be adopted by municipalities experiencing early signs of distress. The model can be used and adapted to address risks, including for municipalities already facing governance and performance sustainability challenges that require urgent attention.

The key question that arises is: why are municipalities unable to deliver on their core service delivery mandate and give effect to the local government developmental role and objectives of local government as envisaged in the Constitution, the White Paper on Local Government, the National Development Plan, and various local government legislative and policy documents? An outflow from this questions is: what should be put in place to ensure that municipalities or local government gives effect to the developmental agenda, but in a sustainable manner?

Therefore, the research problem that informs this study is the absence of a holistic, yet integrated, municipal good governance and performance model/framework or tool that identifies key good governance and performance elements that will ensure and lay the basis for municipal performance that is sustainable. The proposed municipal good governance and performance model should identify the good governance dimensions, key composite indicators and should also serve as a diagnostic model and early detection or warning system for municipalities facing possible governance and performance failures.

The proposed municipal good governance and performance model should find application in any type of municipality, notwithstanding demographics, location or size, and should be able to be used by various role-players within the entire municipal governance system, such as the municipality itself (council and management), communities, key national and provincial government departments, external stakeholders, oversight and public accountability institutions, national and provincial treasuries (trigger support and intervention) and the DCoGTA.

The absence of a valid, reliable and relevant municipal good governance and performance model or framework makes it very difficult for a municipality and some key oversight institutions to provide proactive, yet targeted responses to performance delivery challenges in individual municipalities. This diminishes the ability of municipal councils, and the other two spheres of government, i.e. provincial and national government, to perform their constitutionally obligated oversight, or monitoring and support functions over local government, including bespoke municipal intervention where required.

Given the current state of local government juxtaposed against the intended long-term vision set by the NDP, particularly Outcome 9, the proposed municipal good governance and performance model or framework will have both current and future value in addressing many municipal governance and performance challenges in local government. The proposed good governance and performance model will also contribute to enhanced financial and non-financial performance by municipalities, resulting in improved audit outcomes, responsiveness, accountability and transparency, as well as positively contribute to building trust between the municipality, its community and stakeholders.

1.4 GOAL OF THE DISSERTATION AND RESEARCH QUESTIONS

Given the above problem statement, and as set out in section 1.3 of this Chapter, this dissertation discusses municipal performance and the role of good governance as an enabler for municipal performance. In the view of the researcher, municipal performance refers to “the ability of a municipality to give effect to and execute the objectives of local government as envisaged and framed in section 152 of the Constitution, within the administrative and financial means of the municipality whilst applying good governance practices in delivering on its key obligations in an efficient, effective, economic and impactful manner.

In this regard, and in search of the stated goal of the dissertation, namely the development of a municipal good governance and performance model that will address the key local government governance challenges and its associated impact on local government performance, the researcher has developed two main research questions, and one ancillary research question aimed at complementing the two main research questions. Each of the two main research questions has three sub-questions. These sub-questions make up the goal of each of the chapters in this dissertation, with the objectives of each chapter forming the basis for its sub-division.

Research Question 1:

- What are the inherent requirements for municipal performance in South Africa?

The sub-questions, making up the goal of the chapter, are as follows:

- What is the all-embracing definition of ‘performance’?
- What are the main strands, elements and constituent parts of organisational performance in the municipalities?
- What are the main legislative and policy arrangements governing local government performance?

Research question 1 and the sub-questions are responded to in chapters 3 and 5 of this dissertation.

Research Question 2:

- What role does good governance play in municipal performance?

The sub-questions, making up the goal of the chapter, are as follows:

- What is the all-embracing definition of ‘governance’ and ‘good governance’?
- What are the main strands, elements and constituent parts of good governance in the public sector?
- What are the main legislative and policy arrangements governing local government?

Research question 2 and the sub-questions are responded to in chapters 2 and 5 of this dissertation.

Ancillary Research Question:

The ancillary research question is associated with, and interrelated to, the two main research questions and is aimed at bringing these two questions together. The ancillary question is as follows:

- What is the nexus between good governance and municipal performance?

In developing a response to the ancillary research question, the response presupposes a proper understanding by all role-players of the two main concepts that are addressed in this dissertation, namely governance and performance, which are outlined in chapters 2 and 3 respectively. It also presumes an in-depth understanding of the municipal or local government legislative and policy environment and the context relating to the two main concepts. This is addressed in Chapter 4 of the dissertation.

1.5 RESEARCH METHODOLOGY

1.5.1 Research Design

According to Creswell (2014), “a research design is the set of methods and procedures used in collecting and analysing measures of the variables specified in the research problem research”. He makes the point that study type is demarcated by the design of a study. The study types can be divided into “descriptive, correlation, semi-

experimental, experimental, review, meta-analytic” and further divided into sub-types, such as “descriptive-longitudinal case study, research problem, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan”. The research process and framework developed to find answers to the research questions can, in a more simplistic manner, be described as the research design.

In Mouton (2001:55), the research design is described as “a plan or blueprint” that sets out the process that a researcher intends following in conducting the research. Mouton (2001) further argues that “the research design concentrates on the fundamental question of what kind of study will be undertaken in order to furnish acceptable answers to the research problem”. According to Yin (1989:29), “research design refers to the structure of an enquiry, it is a logical matter”, it deals with “a logical problem and not a logistical problem”.

In the words of Bogdan and Biklen (2007:49), research design refers to “the researcher’s plan of how to proceed”. According to New York University (2018), when designing research, the key question that must be asked is: “given this research question (or theory), what type of evidence is needed to answer the question (or test the theory) in a convincing way? Obtaining relevant evidence entails specifying the type of evidence needed to answer the research question, to test a theory, to evaluate a programme or to accurately describe some phenomenon”.

Creswell (2014) explains that the “function of research design is to ensure that the evidence obtained enables you to effectively address the research problem logically and as unambiguously answer the initial research question”. Therefore, “the central role of research design is to minimize the chance of drawing incorrect causal inferences from data” (Creswell, 2014). According to Ansari (2017), “social surveys and experiments are frequently viewed as prime examples of quantitative research and are evaluated against the strengths and weaknesses of statistical, quantitative research methods and analysis”.

Research designs are frequently identified as using quantitative and qualitative research methods. This study is qualitative in nature and, as a method of data collection, the researcher will use a case study approach as part of the validation process. Qualitative research designs generally work with a small number of cases.

According to Bell (1999:19), “a case study approach is particularly appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in some depth within a limited time scale”.

Ansari (2017) makes the point that case studies “are often seen as prime examples of qualitative research”. Further, Ansari (2017) argues that case studies provide an opportunity to adopt “an interpretive approach to data [that] studies ‘things’ within their context”. Case study research provides and “considers the subjective meanings that people bring to their situation” (Ansari, 2017). Therefore, this study is situated in the interpretivist paradigm. According to a UNISA (2018) article, citing Henning, van Rensburg et al. and Smit (2004), some important words underpinning or referring to the interpretivist methodology include “participation, collaboration and engagement”. According to Carr and Kemmis (1986:88), in applying or following the interpretive approach methodology the researcher “is a participant observer”, i.e. an observer that also participates and is involved in activities, one who “discerns the meanings of actions as they are expressed” within the context of the activities. The researcher is therefore not independent or distanced from the research process, but instead is intimately and actively involved in the research process.

The case study approach includes, where practical, the use of interviews (i.e. structured and un- or loosely structured), unobtrusive methods to collect the data, analysis of documents and observations. A number of qualitative research designs, often also referred to as strategies of inquiry, are recognised and these include, amongst others, phenomenological, ethnographic, grounded theory, historical, case study, and action research. Denzin and Lincoln (2000) describe qualitative research design (strategies of inquiry) as “comprising the skills, assumptions, enactments and material practices one uses when moving from a paradigm and a research design to collect and analyse data about your research subject”.

The main aim of this research is to develop a conceptual municipal good governance and performance model or framework that will identify the critical inherent requirements for municipal governance and performance sustainability in South Africa. It is envisaged that this municipal good governance and performance model will guide municipalities on the key requirements and conditions or minimum standards that should be in place as a good basis to ensure and improve municipal performance

sustainability in the country. It therefore remains important to use designs and methodologies that meet the requirements of reliability, usability and validity in order to enhance the credibility of the scientific research and standards.

Given the reliance on his own experience in relation to understanding the local government environment, the researcher has relied on a qualitative research paradigm, which according to Babbie and Mouton (2001:53) and Webb and Auriacombe (2006:592), “makes use of an insider perspective, also termed the emic perspective, as the point of departure”. Given the use of the insider perspective, the ontological assumptions and the ontological questions must be considered as, according to Stahl (2007), it can be the foundation “of many epistemological and methodological differences” in views, given the question of whether reality is independent of the observer or not.

Heidegger (1993, in Stahl, 2007:3-4) describes the concept of “ontology, which etymologically means speaking of being”, as “the philosophical discipline that asks ‘what is?’ and ‘what does it mean to be’”. It researches the fundamental questions of being, and thus, in everyday parlance, one could say that it studies the nature of reality”. Stahl (2007:4, citing Klein, Hirschheim & Nissen, 1991), makes the point that ontological assumptions are of essential importance to any research in any discipline as they form the “most important building blocks of our worldview” – they are so significant that we rarely question them.

In this regard, the ontology of positivism or non-positivism must be considered. According to Stahl (2007:4-5), positivism is a research approach that is based on the “ontological doctrine that reality is independent of the observer”, whilst non-positivism “does not depend on a reality independent of the observer since the observer plays a part in the constitution of reality and is usually believed to do this”. Therefore, this research dissertation can be regarded as a qualitative, descriptive, non-positivist study, making use of the insider perspective theory.

The researcher has been employed in various senior and executive positions of leadership, authority and management in the public sector, i.e. in a public entity (mainly policy role), provincial and national government in oversight, advisory and execution roles and in local government in South Africa (mainly oversight). He has been extensively involved in commenting on, as well as the crafting and influencing of

some key local government legislation and policy documentation, especially local government policy proposals dealing with financial management, accountability provisions, oversight and municipal intervention mechanisms. The researcher has extensive knowledge of the public finance domain, particularly the latest developments in the municipal or local government environment and is familiar with the factors affecting the performance of municipalities across South Africa. The researcher can therefore be considered an insider in relation to this study in respect of his understanding of the local government environment in South Africa.

Due to the experimental nature of this dissertation and the associated research work, particular emphasis has been placed on the conceptualisation of the research problem, the nature of the study, the identification of the unit of analysis and operationalisation of the outcomes (Mouton, 2001:49).

The study has been separated into two phases, which can be further broken down as follows:

Phase 1: Conceptualisation

- Research design
- Comprehensive literature reviews on:
 - Legislative requirements (Constitution, legislation and key policy papers) relevant to the performance and governance of local government;
 - History and transformation of South African local government, pre- and post-1994, and how this relates to good governance and municipal performance;
 - Context and challenges in local government, particularly focusing on municipal governance and performance challenges and sustainability issues; and
 - Various governance and performance frameworks in the private and public sectors.
- Design, internally validate, test, review and amend, where required, the municipal good governance and performance sustainability model.

Phase 2: Validation and testing of the municipal good governance and performance model

- Isolate the main and sub-elements that have a bearing on the governance of local government and municipal performance sustainability;
- Isolate the elements in both the external and internal environment that impact on the governance of local government and performance sustainability;
- Present the municipal good governance and performance model or framework to a focus group of experts and obtain input on the respective constituent good governance and performance main and sub-elements; and
- External validation through case studies of selected municipalities in the province of the Western Cape, interviews with key stakeholders. Testing, reviewing and amending where appropriate.

The comprehensive literature review in chapters 2, 3, 4 and 5 of this dissertation will provide the conceptual basis from which the municipal good governance and performance model or framework will be constructed. Theoretical models are useful frameworks as they describe the study in a clear, succinct and visual way and provide a holistic picture of what this research is trying to achieve. The proposed municipal good governance and performance model links the theory, as set out in chapters 2, 3 and 4, and the constructs that the researcher has identified.

In examining existing literature and models relevant to the subject, secondary sources such as statutes, internet articles, journal articles, books and e-theses were explored. In addition, capacity-building agencies knowledgeable on the subject matter were consulted and reading materials were obtained from international organisations. All of these were critically analysed as they inform the construction of the governance and performance elements of the municipal governance and performance model. These sources have, where relevant, been subject to an in-depth analysis and assessment of their scientific and scholastic merit. The sources are appropriately referenced as,

according to the researcher, they passed academic muster and, from a theoretical perspective, contribute to the construction of this dissertation.

According to Abend (2008, cited by the USC Libraries, 2018), “theories are formulated to explain, predict, and understand phenomena”. In numerous cases, theories are used to “challenge and extend existing knowledge within the limits of critical bounding assumptions”. The “theoretical framework introduces and describes theory that explains why the research problem under study exists, and is the structure that can hold or support a theory of a research study”.

The USC Libraries (2018) provides the six strategies and steps for developing an effective theoretical model or framework. These steps have been used as a basis to develop the proposed municipal good governance and performance framework or model.

1. **Examine your dissertation title and research problem.** This dissertation title and design is formulated based on the research problem. It anchors, or holds together, the entire dissertation. It also forms the basis from which the theoretical framework is constructed.
2. **Brainstorm about what you consider to be the key variables in your research.** This dissertation answers this step in chapters 2, 3 and 5. Pursuant to considering the many variables informing this dissertation, particularly on ‘good governance’ and ‘municipal or organisational performance’, it appropriately responds to the factors that contribute to the presumed conclusion.
3. **Review related literature.** Chapters 2 and 3 are the main literature review chapters, with Chapter 4 anchoring the study from a legislative and policy perspective. The literature review (chapters 2 and 3) addresses the research problem as set out in Chapter 1. It includes the assumptions from which various authors have addressed the research problem.
4. **List constructs and variables that might be relevant to your study.** Following this step, the variables must be grouped into two categories, i.e. dependent and independent variables. The various elements influencing good governance and performance are mainly captured in chapters 2, 3 and 5 of this dissertation.

5. **Review key social science theories**, is done in chapters 2 and 3, with Chapter 6 providing a response to the ancillary question of testing the relationships or nexus between good governance and performance.
 6. Discuss the assumptions or propositions of this theory and point out their relevance. This is captured in chapters 5 and 6 of this dissertation.
- (USC Libraries, 2018).

Two additional steps have been added by the researcher, namely (a) to develop a draft good governance and performance sustainability model or framework; and (b) to verify and test the key assumptions of a municipal good governance and performance sustainability model or framework in a municipal environment in the four identified municipalities, mainly as part of the case study analysis and interviews with local government subject experts.

The proposed municipal good governance and performance sustainability model has been validated through the application of internal and external validation processes. The internal validation process has been considered using a process of triangulation and the adjustment of the municipal good governance and performance sustainability model, with (1) the connections between the different eras of local government development in the country; (2) the developmental role and mandate of local government as set out in the Constitution and Local Government White Paper; (3) the legal, constitutional, legislative and respective policy mandates of local government in South Africa; (4) the current state of local government performance in the country; and (5) discourse on the local governance measurement.

External validation consists of using a focus or reference group in the form of a panel of local government experts, having recognised both local and international experience in the public and private sector and academia. The reference group, as an external party, had to consider whether or not: the proposed municipal good governance and performance sustainability model provides predictive and structural validity; its intended use and applicability in local government is value adding; whether or not it is implementable in municipalities; and whether its components and the application of the good governance principles and performance elements will result in a remarkable improvement in municipal good governance and performance

sustainability. An adapted version of the Delphi method was used to guide the format, programme and outcome objectives of the focus group discussion. Further external validation was also performed, which is deemed integral to the case study analysis.

The study is a methodological study. Mouton (2001:173) describes methodological studies as “studies aimed at developing new methods (such as questionnaires, scales and tests) of data collection and sometimes also validating a newly developed instrument through a pilot study”. A focus, expert interviews and document analysis of various reports have been used as the primary methods of data collection and analyses for this dissertation.

The unit of analysis or the subject of the study that is being investigated is municipal performance, particularly the development governance framework or tool measuring performance sustainability in municipalities, and therefore the focus of the research will be on municipalities. Mouton and Marais (1990:43) describe three methods that can be utilised to conduct exploratory research. These include:

1. Conducting a “review of related social science and other pertinent literature” as part of the anchoring the research theory that underpins the dissertation;
2. Conducting a “survey of people who have had practical experience of the problem to be studied”. This is part of testing some of the key findings and analysis based on the review of key literature; and
3. Formulating an “analysis of insight”. During this process, outcomes and analysis from various surveys are used to provide stimulating examples.

Figure 1 below depicts the model or the methodology that will be utilised to conduct this research.

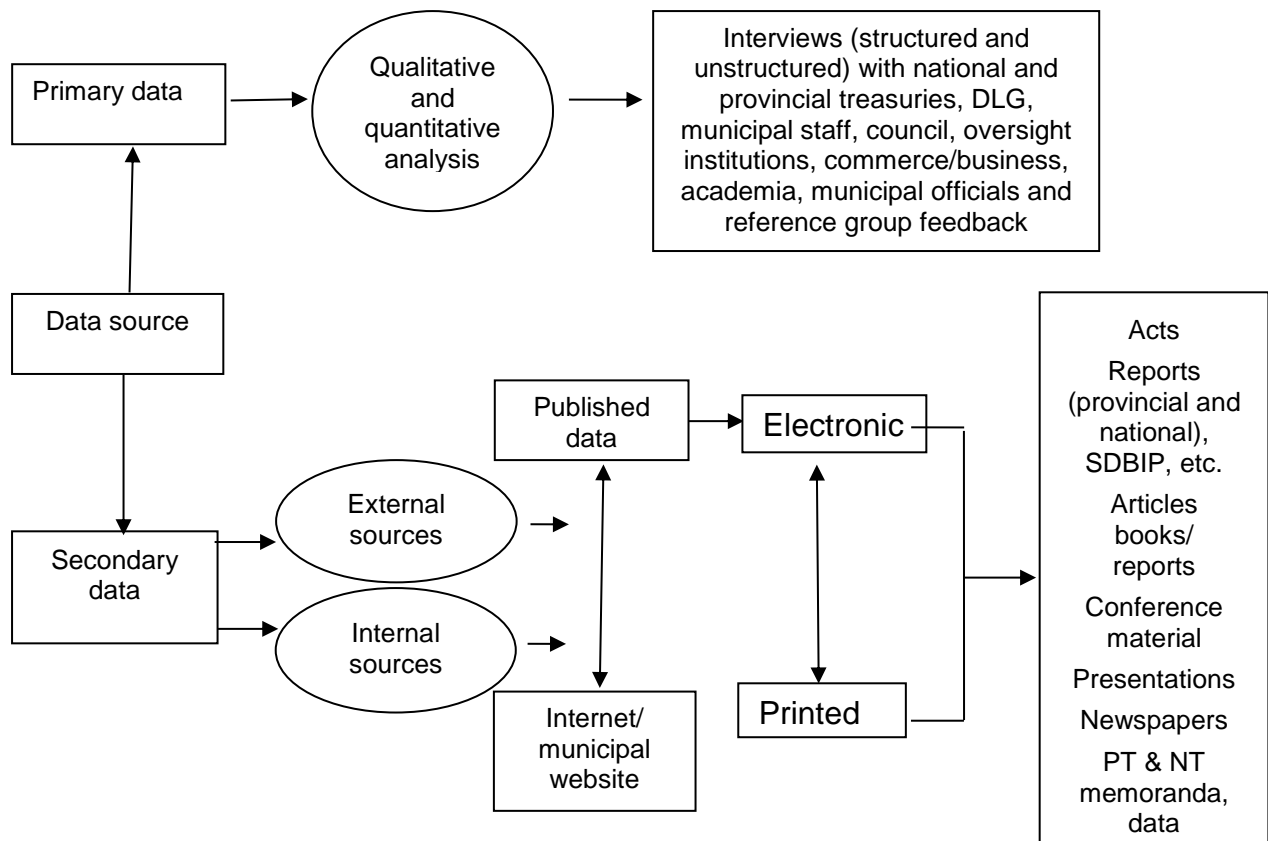


Figure 1.1: The research methodology model

Source: Adapted from Lobe (2005:61).

1.5.2 Study Population, Sampling Frame, Data Collection and Data Analysis

The study population, sample frame and data-collection methods are comprehensively set out in Chapter 6, sections 6.5.4 of the dissertation. By applying a sampling criteria, as set out in Chapter 6, a sample of four municipalities are chosen from the 30 municipalities in the province of the Western Cape.

Given the sampling methodology applied in determining the municipalities to be included, as described in Chapter 6, and by utilising the criteria of the municipal good governance and performance model, the sample municipalities are as follows:

- **Swartland Municipality:** a municipality that has demonstrated consistently good organisational performance.
- **Kannaland Municipality:** a municipality that has demonstrated consistently poor or sub-optimal organisational performance.

- **Oudtshoorn Municipality:** a municipality that has demonstrated poor performance initially, but has been able to progressively improve (improved/getting on the right path).
- **City of Cape Town Metropolitan Municipality:** a municipality that has consistently demonstrated good performance, but has recently shown some signs of regression.

Sections 6.5.4 and 6.5.5 of the dissertation provides the methodology for choosing the specific municipalities included in the sample and utilised in the case studies, the data analysis process, the key observations and findings from the desktop analysis, the four municipal case studies and the interview process of municipalities included in the sample.

1.6 PROPOSED CHAPTER OUTLINE

Chapter 1: The chapter introduces the topic, lays the basis and provides the underlying reasons and motivations for engaging in this research. It contextualises the relevance of the study, provides the research problem, goals and objectives, the research questions and the methodological approach in the research design and research methods.

Chapter 2: The two main concepts underlying this dissertation are ‘governance’ and ‘performance’. Chapter 2 provides the theoretical framework and literature review on the first concept of ‘governance’. It provides an in-depth analysis on ‘governance’ as a concept: how it has developed over time, its application in theory and practice, the respective dimensions of good governance and the various forms of governance and models, with a specific focus and application in the public sector. Good governance as a form of governance, its characteristics and underlying elements, with application in the public sector, forms the basis of Chapter 2.

Chapter 3 provides the theoretical framework and literature review of the second main concept underlying this dissertation, namely ‘performance’. The chapter provides an in-depth analysis of the concept of ‘performance’, with a focus on the public sector. The chapter includes a detailed analysis of the various organisational performance models and theories and provides an analysis of various factors that have an impact on organisational performance. Given that the focus of this study is on the public

sector, which is not driven by profits, but by creating public value and customer satisfaction, the research recognises the various role-players, both internal and external to the municipal environment. The chapter also touches on the characteristics of high-performance organisations and concludes by highlighting some of the critical success factors for municipal and organisational performance.

Chapter 4 explores the complex legislative, regulatory and policy arrangements of the local government functional system and framework within the context of the overall intergovernmental relations system of South Africa and covers the history and origin of the local government system in South Africa, its evolution (pre- and post-1994), as well as an analysis of the many legislative and policy documents applicable to the local government environment, with the key legislative statutes being the Constitution, the 1998 White Paper on Local Government, the Structures Act, the Systems Act, the MFMA and various regulations and policy papers. Furthermore, Chapter 4 is informed by a range of key concepts and definitions relevant to understanding the local government environment and elaborates on the powers and functions of local government and touches on the fiscal arrangements to gauge the extent to which it has been possible (or not) to align the local governmental fiscal and functional (service delivery) frameworks.

Chapter 5 unpacks the legislative, regulatory and policy framework with respect to municipal organisational performance and governance in South African local government. The chapter also includes an analysis of the legislative and policy framework as it relates to financial governance and oversight, particularly by municipal councils, external and internal assurance providers, the main oversight institutions and by key stakeholders. The chapter also sets out the legislative and regulatory requirements as they relate to the intervention and supervision mechanisms available to the provincial and national executive in the event of performance failures in municipalities. Chapter 5 connects, and should be read in conjunction with, Chapters 3 and 4.

Chapter 6 introduces the proposed municipal good governance and performance model, constructed by taking into account the key research findings as reflected in chapters 2, 3 and 4. The proposed municipal good governance and performance model is aimed at assisting various role players in local government to understand the

main concepts of governance and performance and particularly the dependencies and linkages between the two main concepts underpinning this dissertation. The proposed municipal governance and performance model also outlines the various key elements from a governance and legislative perspective that must be considered in measuring municipal performance. The chapter provides an extensive analysis of the various institutions that have oversight responsibilities, inclusive of their respective measurement instruments and analysis of municipal performance. In addition, the model validation process, internally and externally, and analysis of the findings from the case studies and focus group discussions, are also provided in Chapter 6.

Chapter 7 provides conclusions, summary and recommendations flowing from the research. It also provides the necessary linkages and connectors between the various chapters and aims to answer the initial research questions and sub-questions, as well as highlight opportunities for further research possibilities that will enhance the findings of this research. The chapter reflects and responds to the ancillary research question on the nexus between good governance and organisational performance, particularly in the public sector. The proposals and recommendations are clustered in accordance with the proposed municipal good governance and performance model as presented in Chapter 6, focusing on the dimensions and elements of good governance and how the application of good governance principles will enable municipal performance.

CHAPTER 2: GOVERNANCE – THEORETICAL FRAMEWORK AND KEY CONCEPTS

2.1 INTRODUCTION

The main aim and purpose of this chapter is to conduct a literature review to conceptualise and contextualise governance, especially given its multiplicity of definitions. According to Lee (2003:2), “the term *governance* is actually a very old one”. He makes the point that this concept has been recently revived, particularly within the social science domain, and has possibly become one of the most attractive areas of research. Consequently, over the years many different definitions have emerged to explain the concept of governance. Due to this attractiveness, numerous definitions and widespread usage there exists a bountiful treasure trove of literature on the topic, but also a corresponding difficulty of summarising this literature.

The literature review in this dissertation includes key concepts and definitions relevant to the study. It includes the history and background of governance, theories, various uses, types and key thoughts, as well as perceptions and impressions underpinning and supporting a foundation for the study of governance. The study has a particular reference to, and focus on, the public sector, both internationally and locally in South Africa. The analysis and literature review include the elements of good governance as they are understood and observed through the lens of various authors, subject experts, institutions and researchers on this subject. In order to improve the conceptual understanding of the subject matter, this chapter also touches on issues such as the dimensions and elements of governance, namely political, technical and institutional; and the relevance and applicability of governance in local government.

An in-depth analysis of the key concepts of good or fair governance, government, governmentality and what constitutes bad or poor governance, anchors the chapter as the researcher explores the identification of good or fair governance indicators, as provided by various subject specialists, authors, policy makers and institutions. These indicators will be used as a basis for testing (application) during the various case studies, particularly the when examining the link between these governance indicators and organisational performance. Governance indicators, including democracy, the

rule of law, accountability, responsiveness, transparency, predictability, public involvement and participation, will be analysed and explained with the aim of developing sub-indicators in later chapters to be utilised as a base during the case study analysis. The identification of these good governance indicators will hold relevance in later chapters, particularly when observing their application in the case study approach to selected municipalities in the province of the Western Cape.

The analysis of the various concepts includes both an international and local flavour, particularly when examining their relevance to public sector institutions, as well as when reflecting on the lessons learnt from the private sector in inculcating good governance practices. Finally, the chapter explores the impact of, and the linkages and connectors between, good governance and organisational performance, which lays the basis for the next chapters.

2.2 GOVERNANCE: DEFINING KEY CONCEPTS

This section sets the context of the study by exploring key concepts and definitions relevant to the research theory of governance and organisational performance in local government. Key definitions include government, governance and governmentality to provide context for the next sections of the chapter, wherein the researcher will expand on these definitions, particularly as they relate to the broader concept of governance and how these interrelate, connect and are applicable to the study of organisational performance, with an emphasis on the public sector (local government).

2.2.1 Government

According to the Encyclopaedia Britannica (2018), the word 'government' means to steer with gubernacula (wheels or rudders) and is attested, in a metaphorical sense, to Plato's 'Ship of State'. The word originally derives from the Greek verb κυβερνάω [kubernáo].

The word 'government', which is fundamentally different from the term 'governance' but sometimes loosely (wrongly) used as having the same meaning, refers to a form or structure of public sector institutions in which public servants (people) work with the

main purpose or objective of providing public services to a community. 'Government', is also broadly regarded as the institution or territorially based body that makes authoritative decisions and applies enforceable laws and regulations for which it has constitutional or legislative authority for and in a society. In other words, decisions of a government must be binding of, and enforceable on, citizens, residents and businesses within its borders.

The Columbia Encyclopaedia (2000), and the Business Dictionary (2018) explain 'government' as referring to a group of people that control or rule a community or unit and that this social control is a system that is vested in a specific group in the social hierarchy. This societal group has been given the right by the community to make laws, including the right to enforce these laws. Finer (1970:3-4) explains the concept 'government' as "the activity or process of governing or governance, a condition of ordered rule, those people charged with the duty of governing or governors; and the manner, method or system by which a particular society is governed".

Schwella, et al. (2015:13-14) makes the point, affirming Heywood (2007:6) that, whilst all types of institutions should have proper governance arrangements in place, the concept of 'governance' is more comprehensive than 'government', and that governments "govern within the jurisdiction of the states over which they hold authoritative and sovereign powers as government". Heywood (2007:26) defines 'government', in the broader sense, as "to rule or control others" and this includes any mechanism or instrument through which rule and order is maintained. Stoker (1998:34) makes the point that in the modern state 'government' refers to the "formal institutional structure and location of authoritative decision-making" and that "a government is only able to function effectively if it has the adequate authority, public support and stability to maintain law and order".

The fundamental features of a government, according to Heywood (2007:26) and Ranney (1971:26), are the ability to, as a collective, make decisions mainly through laws and regulations, and having appropriate public institutions and capacity to interpret and enforce those laws and regulations, flowing from decisions by the broader community, for and on the community and to provide public goods and services that these laws prescribe. The Oxford English Dictionary (2010) defines 'a government' as "the system to govern a state or community" and that system is

characteristically divided into various groupings and responsibilities, which include the executive, the legislative and judicial authorities, each functioning under its own exclusive or sovereign powers determined through laws within a nation, customs and institutions. Although there is a difference in the relationship between the various groupings as institutional structures of government, as a collective they all intend to promote and advance the overall well-being of the public they serve. However, in order to maximise performance (output) and citizen impact, the various institutional structures of government must collaborate and partner with each other in an attempt to prevent duplication and optimally coordinate the activities that need to be rendered to various societal groups.

According to Wikiblog Cultuland (2018), in the Commonwealth of Nations, the more narrow interpretation of the word 'government' refers to "a collective group of people that exercises executive authority in a state" or the ministry as a collective of the executive arm or "metonymically, to the governing Cabinet as part of the Executive". This view of the Commonwealth is confirmed by the IFAC (2001:6), in that in most governments, integral to the accountability process, there is the clear separation or differentiation of power and functions between the executive (for example, ministers as members of cabinet, members of executive councils in provinces, entities, government business enterprises and municipal councils) and the legislature (parliament and councils). In this regard, there is a governance relationship to govern, in that the legislature provides the authority and power through legislation to the executive to acquire and use financial resources. As part of the accountability responsibility, the legislature is also responsible for having oversight of the executive and the administration of financial resources. The management and application of the resources, including that of financial management, are generally the responsibility of the executive (cabinet/executive councils).

State or public policies are determined, administered and enforced by a government, and these are in many cases underpinned by a constitution or founding statement that generally sets out the aspirations, governing principles and political philosophy. The chosen political philosophy of a government requires a fair amount of careful balance between the principles of individual citizen freedom (e.g. of choice, speech and association) and complete dictatorship and state authority.

Many different types of systems of government exist and these different types are founded by clear principles or philosophy. The nature of any governmental system is defined by the way in which governmental power and authority is distributed. Some government types include those based and founded on the principles of democracy ('power of many'), oligarchy ('power of a few'), aristocracy, dictatorship or autocracy ('power of one'), monarchy and republic. The chief characteristic of any philosophy of government is underpinned by the system underlying how political power to govern is obtained. The two main forms or systems to obtain political power are through electoral contest or by hereditary or inherited (genetic) succession. Governments worldwide consist of many political systems based on ideologies, which include socio-economic, socio-political and geo-cultural. These ideologies are entrenched in the system of government and shape how governments engage with communities and voters.

John Healey and Mark Robinson in the Governance Barometer (2018) define 'good government' as being without any presupposed value judgement of society, and implying "a high level of organisational effectiveness in relation to policy-formulation and the policies actually pursued, especially in the conduct of economic policy and its contribution to growth, stability and popular welfare". Good government, deemed as a precondition for political legitimacy, also implies an adherence to and inclusion of the principles of good governance, which include public accountability, responsiveness, and transparency in delivering government services, adhering to the rule of law, citizen participation and openness.

The concept and broader definition of 'government' cannot be divorced from an understanding of the connections between the concept of 'government' and 'governance'. One can deduce that, although the two concepts should not be confused as being the same, there is a relationship between the two and state or government institutions must apply governance in the way they govern or run a government to ensure organisational performance and sustainable development of the communities that they serve. Naidoo (2015:16) makes the point that "governance is, however, possible only as long as governments manage to implement policy". The definition of, and salient points on, the concept of 'governance' is fully unpacked and clarified in section 2.2.2.

Although incorrect in the view of the researcher and based on the literature review of the various concepts, the term or concept of 'government' is sometimes used interchangeably with 'governance'. This is despite 'governance' having fundamentally different meanings or application for different people. The two concepts, i.e. 'governance' and 'government', should not be confused or treated as one and the same. According to Rhodes (2002:208-2027) and Rhodes (2000:5), 'governance' suggests a fundamental change in the meaning of government, recommending new processes or methods of governing or an innovative method by which society is governed and ruled or a changed condition of well-organised and ordered rule.

In short, 'governance' is about the process of governing and how choices and decisions are made that impact the intended outcomes and affect social, economic and environmental change. According to Broadway and Shah (2009: 242) governance is about "the formulation and execution of collective action at the specific government level". Naidoo (2015, citing Kaela, 1998:134), states that governance is measured by the extent to which public goods and services are actually delivered to the improvement of citizens' lives and agreed laws successfully implemented.

Van Rensburg et al. (2016:2) makes the point that there is a requirement to make a "shift from 'government' to 'governance'". This signifies a change or a shift from a public service operating as a standardised central government in the provision of public services to an inactive or passive public, "towards one where the state is but one part of a mixed economy of funding and provision". Flynn (2002:59, citing van Rensburg et al., 2016), explains that this shift from 'government' to 'governance' requires improved management oversight and control over expert professionals and staff, the inclusion of active public participation by the citizens and consumers. The next section focuses on a definition of 'governance', as its regarded as a much "broader term than 'government', as it involves more societal actors than government, and aims to impact across all the conventional areas covered by the traditional definition of government" (Schwella, et al., 2015:13).

2.2.2 Governance

Scholars define governance in different ways, which requires further research. Some might be more comprehensive than others. However, what is important is for the definition to be generic enough so that it can be effectively utilised to develop statistical criteria and be applied in any sector. A lack of clarity and distinction in definitions will lead to ambiguous meanings and biased results, especially when scope and coverage is inadequate.

Over the years, many different definitions have emerged to explain the concept of governance. According to Heinrich and Lynn, Jr. (2000:2), “governance refers to a means of achieving direction, control, and co-ordination of wholly or partially autonomous individuals or organisations on behalf of interests to which they jointly contribute”. Governance can be regarded and unpacked as the institutionalisation of processes and systems to enable the institution to perform and achieve set organisational goals and objectives. Governance processes and systems provide organisational strategy and direction as a way of doing things and conducting one’s business as it provides for “a control environment with the assistance of individuals within an organisation”.

Given the limited scope and size of public sector budgets and the extent and growing demand for public services, particularly as these relate to municipalities, there is a growing need in the public sector to inculcate the application of good governance standards and procedures to be of a high standard. In the CIPFA (2014:v), the Independent Commission for Good Governance for Public Services emphasises that good governance lays the basis and is the foundation for good organisational performance and outcomes, respectable and trusted management, upright and accountable stewardship of public funds and resources, good public involvement and engagement in the prioritisation and execution processes (co-creation), resulting in building high levels of citizen trust.

The following are some key definitions of the term ‘governance’:

- The Business Dictionary (2018) defines ‘governance’ as “the establishment of policies and continuous monitoring of their proper implementation by the members of the governing body”. Governance

promotes accountability from members in executing their main duty of enabling and improving the success and long term feasibility of the organisation and therefore “includes the mechanisms required to balance the powers of the members” in pursuit of clean and proper governance.

Ramachandran and Ang (2003) summarise these definitions (all of which are government centric) and cite them as follows, from respective sources:

- The World Bank (1992) defines governance “as the exercise of authority, control, management, power of government”. Holistically, governance refers to “the manner in which power is exercised in the management of a country’s economic and social resources for development”. This definition emphasises power.
- Osborne and Gaebler (1992) describe and define governance following a more expansive or spread-out approach, as “the process by which we collectively solve our problems and meet our society’s needs”. Governance goes beyond government’s ordinarily and institutionalised approach in conducting its business, and incorporates “how well government has encouraged, facilitated and shaped the participation of civil society and private sector not only in service delivery but also in the evaluation and monitoring of government performance itself.” This definition emphasises a focus on ‘the process’.
- Landell-Mills and Serageldin (1992) define and describe governance as “a complex concept” consisting of and recognising government’s structural (organisational) configuration and established institutional capacity arrangements that enable implementation, and government’s policymaking, managerial and management decision-making processes, the association, connection and partnering relationship between government officials and the broader public and citizenry implementation capacity. This definition entails and emphasises ‘tri-sectoral’ participation.
- Paderanga (1996) broadly defines governance as the process whereby authority is continuously exercised over the performance and citizen impact of an institution (municipality) or specific function within the

institution. This definition of the concept emphasises institutional arrangements, control, authority and environment.

- Root (1995) offers a more lucid definition of governance, as the institutional capacity and creation of the conducive environment in which citizens engage and interact with the institution and each other to find an optimal solution to common citizen problems. This definition emphasises the importance of institutional arrangements, environment and citizen engagement and co-creation.

Through the above, Ramachandran and Ang (2003:5) compiled a much more comprehensive definition of governance as a process of creating functional relationships between people¹ and institutions by institutionalising “a system of laws, regulations, processes, procedures, norms, standards, roles, rights, responsibilities, rules, authority, power, empowerment and leadership”, all aimed at optimising the performance of the institution.

Applebaugh (2010, cited by the National Defense University and ISAF, 2010) provides one of the most widely cited definition of governance and encompasses the principles of legitimacy, legality and participation. Applebaugh (2010) describes governance as “the rules of the political system to solve conflicts between actors” with the aim to adopt and make decisions (legality), “the proper functioning of institutions and their acceptance by the public (legitimacy)” and to “invoke the efficacy of government and the achievement of consensus by democratic means (participation)”.

Practical or normative agendas can also be defined by governance practices. Public and private sector, political, voluntary and institutions not for gain are institutions where concepts of good or fair governance are commonly used. The idea and notion of good or fair governance and its elements are discussed separately and in more detail below.

Lee (2003:3, citing Stoker, 1988) points out a risk relating to the concept of governance, in that it is “intuitively appealing but ambiguous” and some may

¹ The term ‘people’ refers to individuals or collection of individuals like family, community and society; while formal entities cover public agencies, private sector establishments and non-profit or non-governmental organisations that have elements of statutory.

intentionally or instinctively use it “for rhetoric rather than substantive reasons”. Heinrich and Lynn (2000, cited by Lee, 2003:3) caution that when the term ‘governance’ is mentioned in the process of administrative improvements, it may lack clarity on whether it refers to institutional configuration and structures, managerial ruling and judgement, organisational processes, systems of instructions, directives and incentives, organisational and institutional philosophies, or a mixture of these.

After his work in 2002 on governance concepts and theories, Rhodes (2006) confirms “that the term ‘governance’ is popular but imprecise” and further makes the point that governance has at least six uses. Rhodes later added a seventh use in 2017, ‘international interdependence’, which he expands on in much detail in his 2017 article on ‘Governance and Public Administration’. The various uses of governance comprise “the minimal state; corporate governance; the new public management (NPM); ‘good governance’; international interdependence, ‘socio-cybernetic’ systems; and self-organising networks” (Rhodes, 2006).

As part of this work, he argues “that governance refers to ‘self-organising, inter-organisational networks’ and these networks complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and co-ordination”. Rhodes (2006) defends this description of governance and argues that it reflects on changes at the time in British administration, particularly referring to the “hollowing out the state, the new public management, and intergovernmental management”. He concludes with the idea that self-organising networks are now a prevalent and inescapable universal feature of public service delivery in Britain. He continues that self-organising networks are a “challenge to governability because they become autonomous and resist central guidance”, that they are characterised and based on mutual trust and modification and further that they weaken institutional management reforms and improvements rooted in rivalry and competition.

However, Van Rensburg et al. (2016:2) makes the further point that there is a further shift that is required, i.e. a shift from ‘government’ towards ‘governance’ and then a further shift from ‘governance’ to ‘governmentality’ or ‘governability’. The discussion in the next section focuses on the concept and definition of ‘governability’.

2.2.3 Governmentality

Bevir (2011) in his paper 'Governance and Governmentality after Neoliberalism: Policy and politics' highlights interactions and linkages between governance and governmentality, particularly on and after neoliberalism. Governance and governmentality neutralise excessive power and ruling. In his paper he provides academics and researchers in the field of governance with a fascinating interpretation of the many "changes in the state", stating that "they might learn from governmentality to pay more attention to interpretation and discourses". He also provides "insights into modern power", suggesting "they learn from governance to pay more attention to agency and heterogeneity" (Bevir, 2011). Bevir (2011) contests that "scholars of governance might recognise the role of technologies of power in neoliberalism", whilst "scholars of governmentality might grasp the way neoliberal marketisation has given way to networks and service integration", which is key in the modern day.

Governmentality is a theoretical approach introduced by Foucault in the 1970s that has re-oriented thinking about governance and power. According to Van Rensburg et al. (2016:7), "governmentality is inspired by Foucault's (1991) later writings, and firmly embedded in second-stream notions of power". Foucault (1991:04) highlights that the concept 'governmentality', generally refers to techniques, practices and procedures for guiding and pointing human behaviour and understanding. According to Strippel and Bulkeley (2013:32), 'governmentality' refers to the ways of thinking and acting by particular mentalities and how this way of thinking is used in the process of governing. In order to understand governmentality as a form of power, scholars must examine its empirical articulations through the investigation of governmental rationalities and programmes (Dean, 2009, cited by Astuti, 2006:39). Further to this, Foucault (1991, cited by Astuti, 2016:39) defines governmentality as "the conduct of conduct". It operates through calculated means and rational activity "by educating desires and configuring habits, aspirations and beliefs" of individuals and groups (Li, 2007a:279).

Aside from research and wide application of the concept of governmentality in the context of environmental governance (Astuti, 2016:19), the researcher finds it to be a fairly new idea or concept in the theory of municipal governance. Van Rensburg et al. (2016:17) believes that fundamentally the concept and principles underpinning

governmentality deal with “the ways in which people are influenced to govern themselves, a notion of power that is dispersed throughout a population”.

Janse van Rensburg, et al. (2016) highlight that governmentality tolerates and permits governing practices from a distance and it symbolises and advocates “discipline in individuals through the creation of docile agents to be used in modern political and economic institutions”. The authors conclude that once people and groups have entrenched norms and standards, they self-regulate their perceptions, actions and even values according to those norms that they have personified. Citing Astuti (2016:40), governmentality recognises that governmental interventions are undertaken not only by the state apparatuses but also by non-government institutions and non-state actors, such as non-governmental organisations (NGOs), scientists, researchers, bankers, and private sector practitioners – anyone who is involved in attempts to shape the conduct of the population (Li, 2007a; 2007b; Dean, 2009). The concept of governmentality provides insights into how assemblages of practices, agents, knowledge and techniques work to produce governable subjects (Hart, 2004).

According to Bevir (2013:62), the “governmentality perspectives identify and analyse the complex of rules, norms, standards, and regulatory practices that extend state rule more deeply into civil society by regulating the ways in which civil society self-regulates”. Fox and Ward (2008) emphasise that the governmentality approach calls for a shift in focus towards reflexivity, self-rule and self-organising that are entrenched in good governance practices that “influence individuals to behave in a certain way”. Governmentality calls for an alternative approach, more particularly, a shift away from the traditional bureaucratic form of state controlled and state-centred governance to a more network-type, indirect forms of governance relations and streamlined processes. Bevir (2013:62, citing Triantafillou, 2004 and Ferlie & McGivern, 2013) highlights that the governmentality viewpoint departs from the premise that “governance is made up of inter-dependent organisations that together form “semiautonomous and self-governing networks”.

Miller and Rose (2008) contest that the “notion of governmentality does not necessarily privilege the state as locus or origin of power, but takes self-governing practices as starting point”. They highlight that it “allows a mapping of multiple centres of calculation and authority that traverse and link up personal, social and economic life”. In this way,

Miller and Rose (2008) are of the view that the “focus falls on power without a centre, or rather with multiple centres”, in other words, “power as relationally dispersed rather than focused in the state”.

Rose and Miller (1992:174) emphasise that distinct individual freedom should not be construed as an opposing or opposite feature of power. Individual freedom is a prominent part of the functioning of governmentality; “power is not about constraining individuals, but rather about creating people who are capable of bearing a kind of regulated freedom” (Rose & Miller, 1992). Van Rensburg, et al. (2016:17) agree “that the dichotomies through which power has been traditionally characterised—such as state versus civil society, public versus private, and coercion and consent—and the main-stream concepts of power that underlie these dichotomies do not provide an adequate understanding of the ways in which power operates”.

According to Foucault (1991:100), thinking through a governmentality lens allows us to see that governance’s main aim is to shape human conduct, and its target is to produce and enhance the general well-being of its citizens, the development and improvement of their socio-economic indicators and conditions (health, mortality, education, shelter and access to basic services), the growth in the wealth of its citizen and the reduction in the poverty and Gini coefficient. A governmental intervention employs a variation of methods, procedures and certain forms of knowledge to achieve its purpose and main objectives. Dean (2009:25) argues that governmentality is a representation of “collective mentalities” created through “the bodies of knowledge, belief and opinion” in which our individual minds and consciousness are immersed.

In a broad sense, Foucault (1991:102) summarises “governmentality as the ensemble formed by the institutions, procedures, analyses, and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power”. Governmentality has the broader population as its target, apparatuses of security (or calculative technologies employed) as its essential mechanism and “political economy as its form of scientific knowledge” (Foucault (1991:16). Governmentality theory provides an innovative means of analysing both traditional government’s and non-government actors’ attempts to influence, define and reshape policies and programmes (Rutherford, 2007; McGregor, et al., 2015).

It is the researcher's view that there is a need to critically examine and unsympathetically shift towards the indirect and subversive ways in which the delivery of key services to communities can be enhanced in order to give effect to the local government mandate and service delivery performance and sustainability. It will require radical effort and urgency to move beyond traditional ways and methods of government service delivery and governance practices models and their inherent conceptions of delivery and power. Drawing from the analysis and definition of governmentality, this can be achieved by seeing governmentality as a governance instrument and as an art of government that works through the development of new calculated practices, strategies and organisations, aimed to promote and tolerate particular practices and discourse amongst local citizens and stakeholders in a municipality to shape human conduct and educate people to work as a collective to attain objectives that will benefit the entire system, and in that way improve municipal performance. In the view of the researcher, governmentality as a field in governance literature has not yet been widely explored, and this provides abundant opportunity for further research on the subject.

2.3 GOVERNANCE: HISTORY AND BACKGROUND, THEORIES AND KEY CONCEPTS

2.3.1 History and Background of Governance

According to Lee (2003:2), the concept of “governance is actually a very old one”. The word and concept of governance, as a noun, according to the Business Dictionary (2018) originates from the late 14th century as an ‘act or manner of governing’, “from Old French ‘*gouvernance*’ government, rule, administration; (rule of) conduct from governor”. At the time, it referred to authority (with action), as well as the system of governing and government control. Similar to the word ‘government’, the concept of ‘governance’ derives, from the Greek verb *kubernaein* [*kubernáo*], which, in the metaphorical sense, means ‘to steer’ and ‘to control or to give direction’. In English, it simply refers to ‘the specific activity of ruling a country’. This meaning and interpretation can be traced to early modern England, when the phrase ‘governance of the realm’ appeared in royal correspondence between James V of Scotland and Henry VIII of England and also in works by William Tyndale.

'Governance', in its current broader interpretation and application, has only become prominent since the early 1990s as an attractive concept in social science and since then started to feature on the agenda of many public and private sector institutions. This is mainly due to wider use and re-introduction of the concept by academia, political scientists, economists in the public sector and private sector and the wide distribution of policy and discussion papers on the subject by prominent institutions such as the World Bank, United Nations (UN), and International Monetary Fund (IMF).

Lee (2003:2) makes the point that the concept of governance "has been widely used as a new notion meaning 'something new and reformed' associated with government and public administration". The application of governance practices, particularly in the public sector, will assist in replacing some the negative perceptions of the broader public on the general state of the public sector.

Similarly, Ramachandran and Ang (2003:3) make the point that governance is not new. Indeed, it is "an age-old subject matter dating back to birth of great civilisations such as those in the Nile of Egypt, Euphrates and Tigris of Babylon, Mahenjodaro and Harappa of Indus River, Yellow River of China, Mayan of South America, Greek, Media-Persia and Roman Empire". Furthermore, history records that the birth of great civilisations mark the beginning of organised societies and institutions. It tells how families, citizens, communities and societies, individuals, private sector bodies and institutions, non-government and supporting institutions are basically organised and governed in a systematic way. The governance structure and framework that a country or society has adopted or practiced is very much inclined to local needs and demands as per the social, economic and political fabrics.

Charles (1991, cited by Ramachandran & Ang, 2003:3) points out that the system of governance was evolutionary. In particular, the system of governance currently being practiced is shaped by agricultural and industrial orders that began during the Renaissance period, which was when great change began in the organisation of work and production in the second half of the eighteenth century, particularly in England. Prior to this the contribution of ancient civilizations to the contemporary system of governance was significant, but incremental.

In ancient times the impact and influence of one society's way of life on another was limited due to geographical constraints. Moreover, great civilizations emerged at

different times in history and the learning and interactions amongst them were constrained by lack of systematic, efficient and effective ways for information cum knowledge flow and exchange. Today, the whole governance system within and across borders is at a crossroads embracing change, particularly in the wake of the information era and the many governance challenges faced by both public and private sector institutions (Ramachandran & Ang, 2003:3).

The Institute of Governance (IoG) (2003:3) emphasises that governance is not about government, but “about how governments and other social organizations interact, how they relate to citizens, and how decisions are taken in a complex world”. Governance is a process of decision making by public and private sector organisations and societies at large and includes the decision of who will be involved in the decision-making process, how the process will happen and how everyone that is involved in the decision-making process will be held accountability for their actions and decisions. All governance processes rest on, or are underpinned by, a governance system or framework and include the policies, rules, procedures, processes, resolutions and agreements that outline and prescribe “who gets power, how decisions are taken and how accountability is rendered”. According to the IoG (2003:3), the concept of governance finds useful application in global corporate governance, national governance, institutional governance and the broader local community/citizens’ governance context.

According to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (2018) the concept of ‘governance’ is not new. They define it similarly to the IoG, as “the process of decision-making and the process by which decisions are implemented (or not implemented)” (UNESCAP, 2018).

Both the IoG and the UNESCAP believe that understanding and conceptualising governance at the various levels is easier if one reflects on the many different kinds of enterprises and bodies (the players or actors) that operate and are involved in the economic and social arena, as well as who has influence on what and about what, who makes decisions, and in what capacity do they make these decisions. Public sector institutions or government are but one player or actor in governance, with other players or actors changing and fluctuating depending on the sphere or level of

government that is being discussed, be it national (provincial, local or rural), or the level of influence based on urban 'class' (elite, middle class or poor).

The two figures below set out the relationship between the various players in the governance environment, as depicted by the IoG and the UNESCAP, where the size of each of the circles in relation to each other may vary, depending on each unique situation of the two institutions.

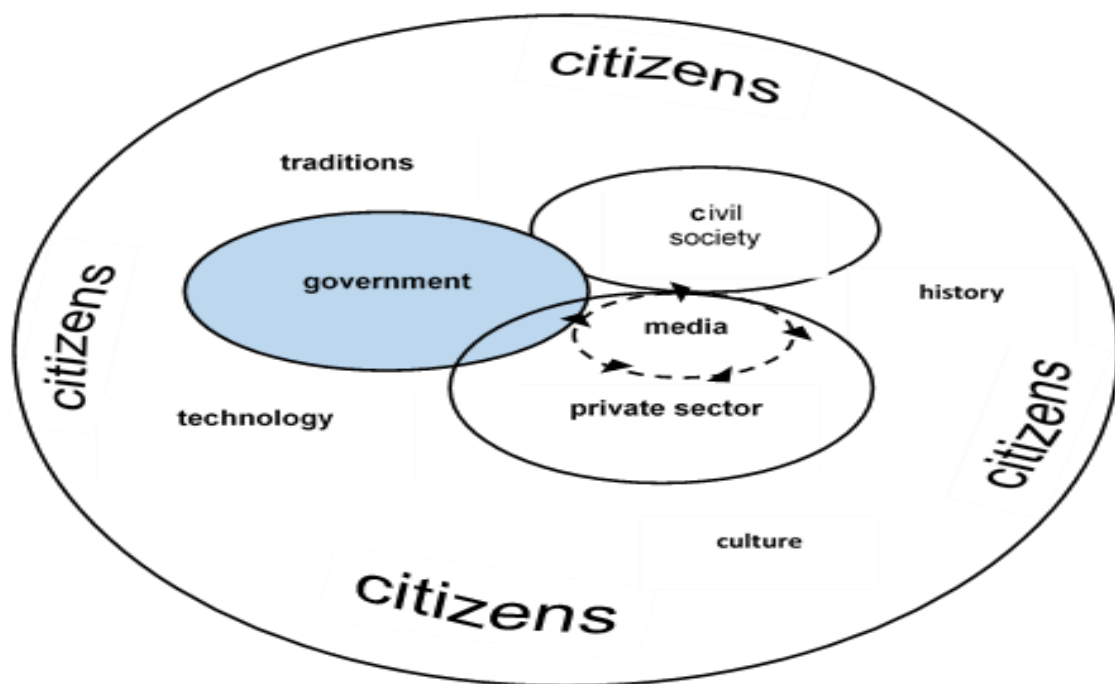


Figure 2.1: Four sectors of society

Source: Institute of Governance (2003:2).

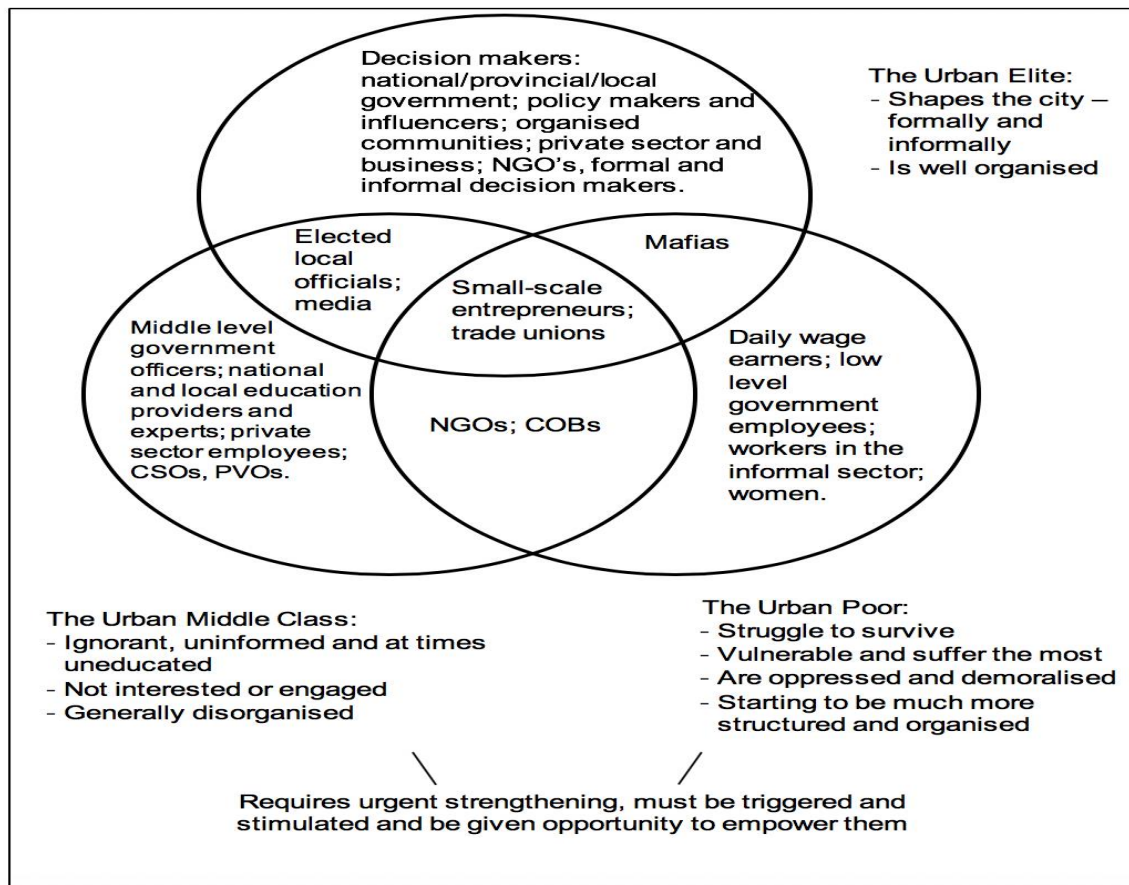


Figure 2.2: Urban actors

Source: UNESCAP (amended) (2018).

Governance captures more than just processes and procedures. It includes the more strategic and tactical aspects of steering and directing, as well as superior decisions about the strategic direction, actors or role-players that will be responsible for execution and ultimate accountability and measurement. Therefore, as mentioned above, 'governance' is not only about 'setting the direction' or 'where to go', but also includes 'who should do what, when and where'; 'who should be the key decision makers and be involved in deciding', and 'in what authority and capacity'.

According to the Institute of Governance (2003:4), there are four zones or areas that are relevant in the study of governance: governance in the 'global space' (or global governance), governance in 'national space', organisational or institutional governance, and community governance.

Given its relevance to the scope of local government, this research will primarily focus on governance in the national space; institutional, organisational and community governance; the characteristics and indicators of good governance; and to what extent the application of it will impact on organisational (municipal) performance.

2.3.2 Theories and Uses of Governance

2.3.2.1 Context

Governance is not about government, but is a process whereby communities, citizens and organisations engage with each other and make key decisions that impact on the organisation or communities and include the who, what, where and when questions, particularly regarding delivery and accountability issues. Governance, according to the Institute of Governance (2003:3) is “about how governments and other social organizations interact, how they relate to citizens, and how decisions are taken in a complex world”.

Schwella, et al. (2015:11) define governance theory and theories as ideas that inform governance and consider various governance models and “assists in the recognition and formation of new governance approaches”, it demonstrates “how theories and philosophies intended for other uses have been modified to accommodate new governance approaches”, it continue to challenge “known concepts of the state by, even, critically revisiting mainstream concepts” and it asks for bigger distribution “of authority-based analysis ... rather than a mere focus on government”.

Rhodes (2000), the author and editor of many books on governance and public administration, explains seven types or uses of governance, which are detailed below. These include:

1. **Corporate governance:** ‘the system’ to direct, manage and control institutions and organisations;
2. **Good governance:** the prescribed procedures for auditing and reviewing, guaranteeing transparency, and information disclosure of the public sector organisations, government and non-government institutions;

3. **New Public Management** introduces private sector management and oversight approaches and procedures aimed at improving the efficiency and effectiveness of the public sector;
4. **The minimal state or new political economy**: this approach emphasises the transformed relationship and affiliation amongst and between government, civil society and the private sector market;
5. **International interdependence** focusses on creating partnering (co-producing) arrangements with international role-players and actors;
6. **Socio-cybernetic systems** focus on the socio-cybernetic systems with and in-between the various role-players and actors within the governance system; and
7. **Network governance** advocates the use and application of networks between government, NGOs, private sector and communities and denies the presence of mono-centric power.

Schwella, et al. (2015:11) complements the above seven types or uses of governance by adding a further three: 'market governance model'; the 'public-value governance model'; and the 'learning governance model'.

The work done by Rhodes in 2000 updates his previous research in 1996. In Rhodes' (1996) research article, he recognises six distinct uses of governance, one of which is the 'New Governance: Governing without Government' approach. In the 1996 article, Rhodes struggles to determine and clarify the importance, meaning and definitions of governance as a way to explain the tendencies, movement and arrangement of British government reform since the 1980s. In the article, Rhodes reviews, evaluates and critiques various definitions of governance and through this process finds many definitions insufficient and inadequate for clarifying the new governing structure that emerged in Britain by 1995. During this process, Rhodes began to identify and construct two new governing structures, which eventually became generally accepted and understood, namely hierarchies (which refer to government systems and bureaucracies), and markets (which refer to the united call in the 1980s for privatisation and active participation by the private sector in the market).

However, during further research and analysis, Rhodes (1996) found his two newly identified governance structures lacking in descriptive and instructive power and added a third, namely self-functioning international interdependences or networks. He reorganised this as a form of governance and as an alternative approach to the modern-day governing structure in Britain. In this process of defining governance as ‘self-organising and self-functioning networks’, Rhodes (1996) conducts a comprehensive literature review and evaluated and assessed the different elements and components against various forms of governance. In order to arrive at an assessment of how governance may contribute to the current working of governments, the assessment includes a review and analyses of the extent to which network relationships have become progressively entrenched in public sector delivery. Given the main aim of improving the provision of adequate public services, the evaluation and assessment by Rhodes (1996) includes the assessment of government reforms and governance (Cornell University of Architecture, Art and Planning, 2018).

Schwella, et al. (2015:12) makes the point that “governance ideas, concepts, theories, models” and ideologies aim to contribute “towards governing good and well”. The authors clarify that “good [governing] refers to the ethical dimensions of governance, whilst governing well refers to the effectiveness dimensions of governance”.

2.3.2.2 Governance as corporate governance

The first recognised and documented use of the word or concept of ‘corporate governance’ is by Richard Eells (1960:108), defining corporate governance as “the structure and functioning of the corporate polity”. Corporate government as a concept is older, has a different meaning and, according to Becht, Bolton and Röell (2004), “was already used in finance textbooks at the beginning of the 20th century”.

Corporate governance, according to the Business Dictionary (2018), is defined as “a framework of rules and practices” with which a board of directors (as controllers) makes the decisions in an enterprise to promote fairness, transparency and, ultimately, accountability in a corporation’s association and relationship with all its investors and stakeholders, such as customers, employees, bankers, management, community players, business partners, associates and government. The term relates

to, and finds application primarily yet not exclusively in, private sector institutions, although Rhodes (2002:7) disagrees and indicates that the philosophies of corporate governance find equal application in public and private sector organisations. The principles of good corporate governance “include openness or the disclosure of information; integrity or straightforward dealing and completeness; and accountability or holding individuals responsible for their actions” by clear allocation of responsibilities and defined roles.

According to Dundas (2013), a corporate governance framework is made up of two main elements: (1) *general corporate governance*, which includes relevant legislation and case law, governance documents, such as the rules, company constitution, a trust deed, the rules of the association and articles of incorporation; and the statutory responsibilities and obligations of the company (business) directors and the relationships between owners, shareholders, investors and others; and (2) operational governance, which deals with compliance with a range of industry specific legislation and general statutes that impose obligations.

The corporate governance framework can be described as a contract that regulates the relationship between a company and its stakeholders, particularly amongst the management of the corporation, board of directors, majority or controlling shareholders, minority shareholders, and all other role-players and stakeholders. It serves as ‘a system of checks-and-balances’ and sets clear duties, roles, privileges and responsibilities for all role-players and includes procedures for oversight, control and supervision and regulates information-flows and decision making. It provides procedures to mediate and reconcile at times incompatible and conflicting interests of stakeholders in executing their roles and responsibilities. In addition, the framework clarifies rights and rewards for all stakeholders impacted by this relationship.

The International Finance Corporation (2018:3), defines corporate governance as “structures and processes for the direction and control of companies” and “concerns the relationships among the management, board of directors, controlling shareholders, minority shareholders, and other stakeholders”. The European Central Bank (2004) describes corporate governance as measures, processes and procedures determined and agreed upon, by which an organisation or company “is directed and controlled”.

Investopedia Academy (2018) highlights that the main benefit of having a high level of good corporate governance practices in place is it creates a transparent set of rules and controls, particularly in which all role-players have aligned incentives. Good corporate governance is not only about being profitable, but is also a tool to demonstrate wide-ranging good corporate governance practices underpinned by high levels of ethical behaviour, proper conduct and good corporate citizenship, particularly through environmental awareness. To maintain good community and investor relationships, it has become good practice in many institutions to communicate a firm's corporate governance approach and principles. Such communication can include the company outlining its management control and corporate governance policies and structures. These include outlining the commitment to good corporate governance in all charters, with the tone being set by the board of directors and executive team sitting at the peak of the company. It can also be extended to include commitment to good governance in all governance documents, such as the firm's committee charters, articles of incorporation and association, shareholding and ownership guidelines and in by-laws, where applicable.

2.3.2.3 Governance as good governance

Stemele (2009:4) highlights that the "concept of 'good governance' has only recently attracted attention in administration and management, and there are many definitions". The term 'good governance' also relates to the concept of 'fair or good enough governance', which is often associated with a 'standard of good governance'. The concept of good governance, according to Schwella, et al. (2015:25), "may have different meanings and prescriptive connotations ranging between a capitalist, a socialist, a liberal or a conservative perspective". In addition, there may be differences in opinion between political leaders and citizens of what is perceived as good governance.

In a business or non-profit organisation, 'good governance' refers to consistent and reliable management having high levels of ethics; a management team that can be relied on to guide and make good and proper decisions; an institution that has good consistent and integrated policies that encapsulate the principles of good governance; and an institution that has proper oversight and accountability arrangements in place.

Good governance suggests that an institution functions in a way that permits the managers and directors as 'agents' to respect the interests and rights of all the stakeholders, who are the 'principals', with the main aim of making the institution successful and sustainable.

The World Bank (1992) defines good governance as "epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law". Good governance, according to the World Bank (1992), is branded and underpinned by the rule of law; active citizen participation, co-production and inclusiveness; public accountability; responsiveness to the need of the citizen; effectiveness, efficiency and economy in public finances; harmony and consensus orientation; transparency in public administration; and management, equity, fairness and impartiality. The Institute of Governance (2003:1) "defines good governance as "the process whereby power is exercised, decisions are made, citizens or stakeholders are given voice and account is rendered on important issues".

It is clear, and many researchers in this field have agreed, that the conceptual understanding and definition of 'good governance' has evolved since its commencement and that the concept includes a more extensive range of matters and values than some definitions initially envisaged. Due to these developments, and as part of their development agenda role, the International Fund for Agricultural Development (IFAD) (1999:4-6) reviewed the various essential elements and descriptions of good governance. This review includes an assessment and evaluation of policies developed and established by multilateral development organisations.

Given the importance and relevance of good governance as the anchor to this research project, section 2.5 of this research discusses it in much more detail. It includes the various elements and characteristics of good governance, which includes some definitional issues from an international, African and South African perspective.

2.3.2.4 Governance as the minimal state

According to US Legal (2013), “a minimal state refers to a state with the least possible amount of powers”. This concept is commonly used in the study of political philosophy and refers to a situation wherein the state’s responsibilities and obligations are so negligible or ‘minimal’ that if reduced any further there will be a risk that the state may become a form of anarchy. The state’s responsibilities and obligations, in a minimal state, are restricted to caring for and protecting people “from coercion, fraud and theft, to requiring reparation to victims, and to defending the country from foreign aggression”. Therefore, given the definition of a minimal state, the only government or state institutions that would be in place in this instance would be the police (caring and protecting people from crime), the judiciary (restitution to victims of crime) and the military (defending the country from foreign attacks).

There is some critique against this argument by Clark and Powell (2017), who argue that this definition of a ‘minimal state’ mainly comes from classical liberal scholars who suggest that these primary (minimal) functions need not be completely provided by the government. However, the reality is completely different, as a “truly minimal state is much more minimal than scholars have traditionally envisioned” (Clark & Powell, 2017). The private sector also adds to the provision of all three of these ‘minimal state’ functions. Therefore, one can conclude that a truly ‘minimal state’ will deliver these functions, but only on the margin and when private provision is inadequate to cover the cost of these ‘minimal state’ services.

Lee (1989), in his article entitled ‘The Impossibility of a Desirable Minimal State’ argues that “a desirable minimal state is impossible because, if attainable, it is not desirable; if desirable, it would be unattainable”. However, Clark and Powell (2017) are not convinced of this argument, based on their own theory of a minimal state. Von Mises (2006:37), when arguing on the differences in viewpoints between classical and revolutionary libertarians and minimal statist, argue that the “government is best, which governs least”.

However, Clark and Powell (2017) do not believe this to be a best and correct explanation of the functions and purposes of a good government. They argue that within a free market economy system the government’s main purpose is to act in the best interest of its citizens; that it must do all the things for which it was recognised

and established – it should protect and defend the persons within the country against violent and deceitful attacks, particularly by criminals and gangsters, and it should guard, protect and defend the country against distant and external enemies.

The perspective of Clarke and Powell (2017) on a minimal state is “that the government that governs least, is more minimal than minimal, is best”. They argue that the state has uncritically been given too large a role and that there is scope for a much greater role for private sector markets and civil society in the delivery of public service (even under the conditions of a minimal state). This is particularly so if private sector markets and broader civil society are able to provide some policing, security, defence and, in the case of disagreements, some dispute resolution services. Therefore, a less than minimal state would “provide only the amount of these services that are both necessary and that markets and civil society fail to provide” (Clarke & Powell, 2017).

2.3.2.5 Governance as New Public Management

The New Public Management (NPM) approach was developed and introduced by academics during the 1980s, particularly in the United Kingdom, with the main aim of transforming the bureaucratic way in which public services are delivered to the public sector to one that is more ‘business-like’ or ‘entrepreneurial’ and whereby private sector management models are used to improve the efficiency and effectiveness of public services. NPM is synonymous with the concepts of efficiency and effectiveness, value for money and ‘triple bottom line’ goal setting and continuous monitoring and evaluation of performance, good governance and financial management practices, accountability and transparency, and a focus on customers or citizens and innovation.

NPM focuses on maximising customer service delivery and impact on the citizen or the client, and on achieving this impact by delivering services in an efficient and effective manner. Rhodes (2002:7) highlights that NPM “introduces private sector management methods to the public sector such as hands-on professional management, explicit standards and measures of performance; managing by results; value for money; and closeness to the customer”.

The NPM approach requires more governance (steering) and less government (rowing). In the context of governance, Rhodes (2000:8) makes the point that 'steering' is fundamental or essential to the scrutiny and unpacking of public management and can therefore be regarded as a substitute or replacement to governance. Osborne and Gaebler (1992:20, cited by Rhodes, 2002) differentiate between the steering role of government in making policy decisions and the rowing role of government when executing its service delivery mandate making the point "that bureaucracy is a bankrupt tool of rowing".

The key point from NPM governance is a belief that the public sector or government steers and directs action and approaches by shaping the market and in this way captures and takes control of the actual service delivery provision or the 'rowing function'. One example or practice of applying the New Public Management approach arose under the direction of Prime Minister Margaret Thatcher, who opted to play both the official role of prime minister in the United Kingdom and the functional role of 'policy entrepreneur' in that, through civil service reforms, she drove changes in public administration that are classically applied in the private sector, focusing on areas such as organisational improvement and optimisation methods, improving customer services and relations, domestic resource (revenue) mobilisation initiatives, improving financial management and procurement practices, strengthening accountability and oversight arrangements through enhanced audit and policy evaluations processes, and advancing partnership arrangements between government, civil society and the private sector.

Some efficiency measures introduced by NPM reformers include applying the principles of subsidiarity in that services are decentralised with the main objective to improve the efficiency and the effectiveness of the state by giving local agencies or those closest to communities more choice and autonomy in how they deliver government services. Some of main efficiency initiatives include the delivery of shared services from a central site as a cost-reduction strategy; applying e-government strategies to improve the effectiveness and responsiveness to the citizen; using government business entities and enterprises, operating on business principles, as quasi-market structures to delivery public services but chiefly to act as a mechanisms for the public sector to compete with the private sector; and the participation of government in public-private partnership (PPP) arrangements, whereby private sector

companies are utilised to deliver what were formerly public services. The performance of these initiatives, formulated under the NPM approach, is assessed using audits, benchmarks and performance evaluations.

The NPM approach should not be confused or mistakenly compared with the New Public Administration (NPA) approach as the themes and characteristic of the two systems of governance are different. There are some mutual or common features between the NPM and NPA, but they differ on the following points:

1. **The NPM approach** advocates being hands-on, practical and pro-active, unambiguous and having clear standards of delivery. The emphasis is on performance and output control, focusing on efficiency and will discontinue units that do not deliver. The approach acknowledges the importance, and encourages the participation, of private sector enterprises, improves the timing of delivery and focuses on greater use of and value for money.
2. **The NPA** is based on hierarchy of rules, apolitical, non-partisan civil service, at times intentionally excluding the private sector. It is not open to partnering opportunities with the private sector, internal red-tape, inefficient and unnecessary rules and regulations. The NPA focuses on equity and equality and recognises the importance of the public sector, many times above that of the private sector, internal government stability and sustainability.

The NPM theory and approach has not been without criticism. According to Barzelay (2001), criticism includes the view that “there are blurred lines between policymaking and providing services in the New Public Management system”. Main risks include the possible politicisation of the public service due to the fact that the most senior executives in the public service are hired on contract under a pay-for-performance system and further risks that these contracts are generally linked to the political term of office. This results in many appointments appearing to be linked to political parties, which may lead to the questioning of managers’ commitment and faithfulness. This may in turn result in public managers moving away from trying to meet citizens’ needs and be accountable for delivery or failures, and rather choosing to protect themselves

from being targeted and becoming the ‘political sacrificial lamb’. The NPM approach also brings to question integrity and compliance when dealing with incentives for public managers, resulting in public confidence being at risk which could undermine the trust in government.

Rhodes (2002) highlights four ways in which the NPM approach, with applicability to inter-organisational networks, “fails to capture the characteristics of [the] contemporary government structure”:

1. NPM focuses on institutions internally rather than externally, with the aim of having a deliberate focus on partnerships and collaborations, whilst ensuring the horizontal interface and “ties between individuals and agencies” (Dickinson 2016:43);
2. NPM focuses on the main goals, strategy and objectives and not on the most important point of building and maintaining good relationships and fostering trust, internally and externally with the private sector;
3. NPM is tasked with a focus on results, which are highlighted, whilst Rhodes’ (2006) model divulges a potential breakdown in public accountability and trust; and
4. NPM emphasises the importance of rivalry and competition and this approach is not aligned with the essential requirements of ‘steering’, which has the characteristics of a network model.

2.3.2.6 Governance as a socio-cybernetic system

Rhodes (1996) defines the concept of ‘governance as a socio-cybernetic system’ as “the effects of the interactions among government, social, political and economic actors wherein no one actor has a monopoly over information or expertise”. In using this governance approach, the community may decide to set wide-ranging goals and objectives and through this process produce a governing framework. As actors or role-players the community can engage within the established official environment in which they work and “reshape the network of relations to solve problems” (Rhodes, 1996).

Kooiman, et al. (2005) defines ‘governance’ as including the public, as well as “private interactions taken to solve societal problems and create societal opportunities” and

further add that it comprises the design and use of principles that will guide engagements and care for organisations that enable them. The key element of this definition is the concepts of 'engagements' or 'interactions', as this key element stands at the core of the proposed new interactive and collaborative governance viewpoint (Kooiman, et al., 2005). The authors view 'interaction' or 'engagement' as "a specific form of action, undertaken by actors in order to remove obstacles and tread new pathways". This definition connects to another definition by Kooiman (1993a:258) "that governance can be seen as the pattern or structure that emerges in a socio-political system as 'common' result or outcome of the interacting intervention efforts of all involved actors". The pattern or structure encompasses many actors and participants and therefore "cannot be reduced to one actor or group of actors in particular".

The authors point out that it is not only the national or central government that is responsible for determining policy objectives and outcomes. In this regard, national or central government may authorise or approve legislation, but in the implementation of those laws and regulations, the central or national government must engage and interact with, amongst others, local and provincial government, the NGO sector, private sector, certain public sector clusters and authorities (e.g. education or health authorities) and the broad citizenry that may be affected by such legislation. The reality is that this approach suggests that the various role-players and actors engage and interact with one another, and not just through one-way engagements or interactions.

Kooiman, et al. (2005) differentiates between "governing (or goal-directed interventions) and governance which is the result (or the total effects) of social-political-administrative interventions and interactions". Although there is a particular process and procedure for policy formulation and determination, institutions should guard against it being determined and forced from high up onto citizens. Policy formulation and determination should emerge and be developed from negotiations and discussions between the several affected parties, and in that way recognise the many (inter) dependencies and that no single actor 'knows it all' in the policy formulation environment. The point that Kooiman (1993:4) makes is that all actors and role-players in a specific policy area need one another as each can contribute to the relevant knowledge and no single person has all the appropriate knowledge and skills to make policy formulation and application work.

Kooiman, et al. (2005:11) make the point that “no single actor, public or private, has the knowledge and information required to solve complex, dynamic, and diversified problems”, that “no actor has sufficient overview to make the needed instruments effective”; and further that “no single actor has sufficient action potential to dominate unilaterally in a particular governing model”. Therefore, what has been advanced is that interaction with and between the various role-players and actors is central to the socio-cybernetic governance approach.

Rhodes (2000:12), citing the findings, speculation and recommendations of the work of Kooiman (1993) on ‘modern governance’, confirms that governing confronts new challenges in that “instead of relying on the state or the market, socio-political governance is directed at the creation of patterns of interaction in which political and traditional hierarchical governing and social self-organization are complementary” and the obligation and responsibility for interventions is distributed across private and public sector partners, which is aligned to the socio-cybernetic governance approach.

Ismay (2008:47) summarises this governance approach of cybernetics systems very appropriately, as an approach whereby the “single sovereign authority is replaced by multiple actors specific to each policy area, interdependence between and amongst the socio-political-administrative actors, shared goals, blurred boundaries between public private and voluntary sectors and multiplying and new forms of action, intervention and control. Governance is the result of interactive social political forms of governing”.

2.3.2.7 Governance as self-organising networks

Networks is one of the governance styles and is integral to the broader public governance umbrella. It is seen as one of the broad ways of giving effect to service delivery obligations. These networks involve collaboration between government and community organisations to co-create and co-produce key priorities and policy objectives and includes initiatives by government (public sector) and the private sector to work together contractually by using public-private partnerships (PPP) to deliver a public good or service.

The various definitions of governance suggest that ‘networks’ are the “analytical heart of governance” (Rhodes, 2000) and the analysis of how networks operate demonstrates their impact to be much more than ‘what governments do to get their jobs done’. The researcher therefore offers proportionately more attention to this form of governance than others in this chapter.

Springer (2018), citing many other authors, such as Kaufman, et al. (1986), Thorelli (1986), Peters (1998), Lowndes and Skelcher (1998), Thompson, et al. (1991), Thompson (2003), Powell (1990), Kooiman (2003), Considine and Lewis (2003), Kickert (2003), and Schout and Jordan (2005), makes the point that network governance is regarded as one of the “three ‘ideal-types’ of governance, that are considered to have played a role in Western administrations”, going back to the 1950s.

According to Kooiman, et al. (2005), governance simply refers to “the relations between public-sector actors and societal actors when addressing public issues”. ‘Network governance’ or ‘self-organising networks’ capture the relational aspect of governance. ‘New governance’ is often used as an alternative or synonym for network governance. According to Lee (2003:2), the principles underpinning ‘new governance’ are not based on hierarchy, but founded on the basis of societal determinants and coordination, given that governance is self-regulated and based on the logic of co-steering, co-production, co-determination and networks.

Kickert (1997:735) defines network governance as the process of managing and coordinating “complex networks, consisting of many different actors from the national, regional and local government, from political groups and from societal groups”. These include action-, pressure-, and interest groups; societal institutions; and private and business organisations.

According to Ismay (2008:48), “self-organising networks involves several interdependent actors involved in delivering services”. He makes the point that “networks are made up of organisations” and that an organisation needs to achieve its objectives and therefore must engage in a process of exchanging resources in pursuit of maximising their influence and effect over outcomes and objectives in a bid to “avoid becoming dependent on other players in the game” (Ismay, 2008).

Various forms of network governance, which focus on the interactions between actors, have developed over time and include some of the following:

Fischer (2012) explains that “**participatory governance** is a variant or subset of governance theory which puts emphasis on democratic engagement, in particular through deliberative practices and seeks to deepen citizen participation in the governmental process by examining the assumptions and practices of the traditional view that generally hinders the realization of a genuine participatory democracy”. Participatory governance can lead to: citizen empowerment and community capacity building; the development of a wide and transparent exchange of knowledge and information; a more equal distribution of political power; the establishment of collaborative partnerships; a fairer distribution of resources; the decentralisation of decision-making processes; an emphasis on inter-institutional dialogue; and greater accountability.

Nodal governance is a controlled or organised form of participatory governance in which the public and private sectors agree to co-operate in the provision of much needed public services (Meuleman, 2008:36, citing Froestad & Shearing, 2004). It typically functions through networks and public-private partnerships (PPP) of governance ‘nodes’ that include many role-players and actors, such as government, various agencies, businesses, NGOs and communities. Both forms of governance, i.e. participatory and nodal governance, locate and place the state or the public sector as a significant actor and player in the activities of unravelling and resolving societal difficulties and needs.

Culture governance is a new form of governance representing a top-down steering approach to governance and is not administratively bureaucratic, nor is it tiered or hierarchical (Springer, 2018). It represents a form of governance that is empowering and permits self-discipline. Although it gives the impression that some essential mismatches between hierarchies and networks are abandoned, this governance approach is considered a generally accepted appropriate style mixture.

Community governance is a form of governance that promotes social cohesion, co-creation, co-ownership and public or citizen accountability and whereby the state requests citizens to arrange and create communities and institutions that take care of,

and look after, their own public requirements, needs and affairs. These can include public needs, such as community policing, security, safety and transport.

According to Meuleman, (2008:36), citing Hajer, et al. (2003), **deliberative governance** “is ‘deliberately’ anti-statist and focuses on societal processes of deliberation as the crucial ‘modern’ problem-solving mechanism”. It is premised on the idealistic view of democracy, as illustrated and promoted by Klijn and Koppenjans (2000).

Reflexive governance considers complexity and uncertainty as the main challenges for networks. According to Meuleman (2008:36, citing Beck, 1994), networks “require that governance approaches are reflexive, i.e. the governance approach and the ‘governors’ itself are influenced, or should be open for influences by the governance environment”. In this form of governance, learning is a central issue.

Adaptive governance, according to Meuleman (2008:37), “is a way of designing policies that can adapt to a range of anticipated and unanticipated conditions”. The adaptive governance approach “is collaborative, flexible and learning-based issue management” mainstreamed transversely across the different scales. Meuleman (2008:37), points out that adaptive management is “a form of reflexive governance” and that it is a bespoke designed learning process intended to manage and deal with uncertainty and ambiguity.

According to Klijn and Koppenjan (2000:142), network governance can be separated into five characteristics, namely:

- Joint or shared dependence of players and actors, which culminates in working relations between them that are supportive and sustainable, ultimately benefitting the citizen;
- As a consequence of the many interactions and exchanges, rules and procedures are formed that regulate and control the behaviour of the various role-players and actors;
- The diversity of players, actors, their own perceptions and the many strategies that can flow from the network governance approach, makes the already complex policy processes even less predictable, whilst simultaneously adding to the complexity of the policy formulation process;

- Public policy determination and application is the consequence of many difficult engagements and interactions between the various role-players and actors who contribute “in concrete games in a network”; and
- Conflict management and risk reduction strategies must be developed and implemented to respond to the problems and needs that may arise as a result of implementing network co-operation and network engagements.

In making networks within knowledge-intensive organisations more effective, Meyer (2004:37) identifies four key elements, i.e. (1) trust; (2) durability; (3) strategic dependency; and (4) institutionalisation, whilst Adler (2001:215) adds the key element of the will “and ability to understand the interests of other network partners and to act accordingly”. Thorelli (1986:38) adds the concept of ‘power’, indicating it to be a ‘cousin’ of trust. The dominant and fundamental principle in networks remains the capability and capacity to influence, inspire and effect choices and decisions of others.

According to Powell (1991:34), network governance can be regarded as “more a marriage than a one-night stand, but there is no marriage license, no common household, no pooling of assets”. The advantages of network governance, in comparison to hierarchies are “that networks are open, [the absence of which] can also be a threat to another key element, namely trust, because trust relates to team building in a network”. Network governance expands and takes democracy to the next level as it advances and promotes governance matters, such as accountability, responsiveness, fairness, equity and impartiality and democratic legitimacy. Further, it is deemed to provide opportunities for innovation, revolution and modernisation and for gaining knowledge in an ever-changing milieu.

Springer (2018:34, citing Meyer & Baltes, 2000) indicates that network governance has some weaknesses, which include the following:

- According to Sorensen (2006), the influence of political office bearers is limited. As a consequence, democracy is weakened;
- Networks are not permanent structures and are therefore generally not stable. Over time they have a tendency to either change to become a

formal structure or organisation, or the network collapses or entirely disintegrates;

- In comparison to 'market' and 'hierarchy' governance, networks tend to be less effective and efficient, given that network governance involves and is underpinned by the involvement of people. People having more 'links' than others generally play a significant role in the network and tend to have a much 'louder voice' than the rest of the members within the network. On the positive side, strong networks, acting like a 'hub' (pivotal members or 'bosses'), ensure swift communication within the network. Within a network, hubs create some form of hierarchical structure. Like players having more 'links' than others, the actors who happens to be in an important position have an added advantage over their peers and as such this makes, "the selection of participants in network governance processes problematic" as there are also no generally recognised processes and procedures for such selection of these hubs or 'bosses', with the risk being "that privileged actors join in technocratic decision making, which may result in a decrease of citizen participation compared to the classical representative forms of democratic decision-making" (Springer, 2018:34). The disadvantage, according to Barabasi (2003, cited by Springer, 2018:34) is that when these 'bosses' in the network are removed, networks generally tend to discontinue, break down into smaller pieces or totally collapse.

Concluding on this important form of governance, the researcher reflects on the work by Rhodes (2000:17), who indicates that "networks are one institutional setting in which public and private actors interact". Networks are informal establishments; that is, informally constructed and put together with "permanent, rule-governed relationships". According to Rhodes (2000:17), these "agreed rules build trust, communication, reduce uncertainty and are the basis of non-hierarchic co-ordination."

Much research on this subject has been done that concludes that governance as 'networks' is a universal and probably the most significant method and form of governing arrangement and structure, particularly so in advanced industrial societies.

However, competing explanations exist about how networks affect government and its policies and the performance of the state.

2.3.2.8 International interdependence

In recent times, research on international interdependencies and relations, as well as international political economy as they relate to governance, have received increasing attention. Particularly relevant to 'governance as international interdependence' are the concepts and theory of 'hollowing-out', as well as 'multi-level governance'.

Rosenau (1992:3-6) makes the point that under the 'hollowing-out' theory, the authority of the state is eroded by international interdependencies. Under 'hollowing-out' and 'multi-level governance', 'government' is distinguished from 'governance', with the former referring to the "activities that are backed by formal authority" and the latter to the "activities backed by shared goals" (Rosenau, 1992). Rosenau (1992:3-6) describes governance as "a more encompassing phenomenon" as it embraces not only public sector organisations "but also informal, non-governmental mechanisms". Rosenau and Czempiel (1992:5) highlight that one can "get governance without government when there are regulatory mechanisms in a sphere of activity which function effectively even though they are not endowed with formal authority".

Authority (or power), under a global governance scenario, is disaggregated and scattered, adding to the displacement of the authority of the nation state by redirecting authority "upwards to the international level and downwards to sub-national agencies". Held (1991:151-7) makes the point that the autonomy and authority of nation states are limited by the following four processes, namely:

- The internationalisation of production and financial transactions;
- international institutions and organizations;
- international law; and
- hegemonic powers and power blocs.

These limiting processes have, according to Hirst and Thompson (1995:409), resulted in the weakening of the governance capacity of the nation state, although it is required to remain a pivotal institution. Hirst and Thompson (1995:435) indicate that “UNISA of public powers that regulate and guide action in a relatively consistent way, providing minimum standards of conduct and relief from harm”.

Multi-level governance, as illustrated by the European Union (EU) Commission in relation to the emergence of trans-policy networks as a feature of national policy making, suggests a high degree of “dependence in the policy sector; policy making is depoliticised and routinized; supra-national agencies are dependent on other agencies to deliver a service; and there is a need to aggregate interests” and strengthen functional representations, which, according to Benington and Harvey (1998); Haas (1992) and Hooghe (1996), in Rhodes, R.A.W. (2000), is a very good example of the benefits and influence of multi-level governance and international interdependencies on the public sector.

2.4 DIMENSIONS OF GOOD GOVERNANCE

The Governance Working Group (1996) defines ‘governance’ as “the structure of institutions and societal norms by which authority is exercised for everyone’s benefit at all levels, from local to global” and highlights that it has three distinct dimensions, namely:

1. The political dimension – processes by which those in authority are selected, elected, monitored and replaced;
2. The economic dimension – processes by which public resources are effectively managed and sound policies implemented; and
3. The institutional dimension – processes by which citizens and the state itself respect society’s/public institutions.

(The Governance Working Group, 1996).

2.4.1 Political Governance

The World Bank (2018) believes political governance has two sub-components (dimensions)” (1) the “structure of government”; and (2) “the structure of accountability and contestability of political leaders”. The legislative and practical or real-world separation of powers between the executive (cabinet), legislative (parliament), and judicial (legal court system) underpins and indicates the structure of government.

The first sub-dimension focusses on the role of the legislature in terms of oversight over the executive, the prerogatives of the legislature to determine public resource allocation, and the independence and effectiveness of the judiciary (judges, courts and magistrates) to prosecute and enforce judgments without fear or favour, and the effectiveness and independence of the accountability and parliamentary and governance committees’ oversight arrangements (e.g. parliamentary standing committees, SCOPA, audit authorities and ombudsmen).

Leftwich (1993:606-611) views political, or as he calls it, democratic governance, as having three major components: systemic, political and administrative. The political perspective, which deals with “legitimacy and authority derived from a democratic mandate”, is similar to the views that were expressed by the World Bank under the first sub-dimension, as highlighted in the preceding paragraph.

The second sub-dimension, according to the World Bank (2018), deals with the “structure of the accountability and contestability of political leaders”. One measure to test the quality of governance in the public sector is to do an assessment and analysis of the quality of public policies, which is designed by political leaders, as well as the implementation thereof. This should include whether or not politicians are fully committed to being accountable for the policy choices that they have made as political leaders. The World Bank (2018) makes the point that the quality of governance is further dependent on the extent of political rivalry and opposition in choosing leaders (both political office bearers and public servants), the integrity and credibility of political parties, respect for the rule of law, respect for democracy (which includes the neat handover of legitimate political power), openness and transparency in political party funding and donations, openness to asset disclosure, declaration of all interests, implementation of parliamentary rules relating to conflict-of-interest and an openness by public office bearers to lifestyle audits and assessments. The main aim is to build

public trust, and to promote openness and transparency “of the political structure, including the opportunities for multi-faceted political expression and for non-elites, minorities, and disenfranchised to gain access to political power” (World Bank, 2018).

Leftwich (1993:606) provides a political understanding and explanation of good governance. He indicates that such an interpretation focuses on “the way political and legal systems are organised, it emphasises rights and obligations of citizens, the presence of democratic rules and procedures, multi-party democracy, the key role of political parties in governance, the existence of pluralist press and the functioning of an active civil society”. In essence, according to Leftwich (1993:606), “political dimension is concerned with the form of political authority in a country, the system of politics, how it relates to public administration, laws and regulations, accountability mechanisms and its citizens”.

According to Dlalisa (2009:2), this type of dimension is also termed or referred to as ‘democratic governance’. The Centre for International Private Enterprise (CIPE) (2018) defines democratic governance as “giving citizens a say in how decisions are made”, which is vital to ensure “that democracy delivers for all of society”. The authors emphasise that good and solid democratic governance is branded and underpinned by responsiveness, transparency, openness and accountability in both the private sector and government. Governance processes that are open, transparent, inclusive and participatory, generally culminate in improved, just and impartial public sector policies informed by the citizens and based on good governance principles as these create the environment for responsive government or public service delivery to the communities and business in general (CIPE, 2018).

Dlalisa (2009:21) highlights that “democratic governance embraces the requisites of Western Democratic Practice” as defined by Western scholars and includes the elements of a decentralised “governance system, the rule of law, human rights, freedom of expression and association, accountability, openness, citizen participation, civic and political rights” adding, according to the UNDP (1997), transparency, access to public information and the right to vote.

Good democratic or political governance assistants improve the reliability, integrity and credibility of government and contribute to improving effectiveness and efficiency of the state and the administration. They also boost investor confidence and trust, which

in turn can support economic development and growth. Good political governance has an impact on the economy, particularly on addressing the socio-economic challenges of unemployment, skills and human development. Good political governance will produce and result in a more conducive environment for growth and development, as well as increase corporate and public sector investment supported by the creation of sustainable employment opportunities, particularly so in local government. The success is dependent on an appropriate interface between the political, administrative, community and private sector (economic development) structures.

2.4.2 Institutional Governance

Breaking up the definition of ‘good governance’ into six dimensions, the World Bank and Kaufmann (2010) suggest the term ‘institutional governance’ to refer to “the capacity of the government to effectively formulate and implement sound policies”. This includes assessing:

- **Government effectiveness²** – deals with measuring the value and qualitative aspects of public service delivery and the extent to which it is delivered from political interference and pressures, the quality of public sector policy design and formulation and the ability to essentially implement such policy, and the reliability, credibility and sustainability of government’s commitment and assurance that such policies will indeed be implemented.
- **Regulatory quality** – captures observations of the capability and capacity of the state to articulate, formulate and implement credible and sustainable policies, strategies, plans and regulations that allow and encourage private sector growth and development.

² Includes the “extent to which the civil service recruitment and management is meritocratic, the extent to which government wages are adequate and transparently administered, the existence and respect of professional and ethical codes of conduct, the effectiveness of public resource management (e.g. comprehensive and published budgets, the absence of implicit subsidies, competitive procurement, timely and open financial reporting and independent external audits), probity and lack of corruption in tax and customs administration, the integrity and independence of regulatory agencies, and the quality of frontline service delivery (perhaps as measured through surveys)” (World Bank & Kaufmann, 2010).

Boeninger (1992:268) makes the point that institutional governance, as one of the dimensions of good governance, “is concerned with the ability of governmental institutions to manage and get things done through institutional mechanisms”. He highlights that this form of governance captures government’s established institutional capacity and structural configuration, the process of making decisions and the collaboration, interface and relationship amongst public sector officials, public and private agencies and business in the local community. In essence, the concern is about the capacity of the state to deliver and enable the citizen.

Institutional governance connects with the “administrative perspective of democratic governance” as it “emphasises efficiency and effectiveness, accountability and transparency in public administration and bureaucratic competence to manage” (Leftwich, 1993:606-612). The World Bank (2018), in its article on the main dimensions of governance, places ‘public sector management’ as a core component of institutional governance. According to the World Bank (2018), institutional governance addresses the effectiveness and quality in service delivery by public servants and external contractors (particularly where the delivery and execution of government services is contracted out) “in managing public resources, carrying out regulatory functions, and generally implementing public policy”.

In the view of the researcher, this form of governance extends beyond only assessing the effectiveness of the state, and includes assessing the remaining two components of the three ‘e’s’, i.e. efficiency (input-output relationship) and the economy (public value and impact). Brautigam (1996:83, cited by Dlalisa, 2009:23), is of the view that “an efficient and effective public administration system stimulates development projects and improves policy making processes”. Eriksen (2002:12-13) supports this view, indicating that institutional and organisational capacity and competence is related and closely linked to aspects of sustainable economic development, public wellbeing, growth and job creation, efficiency, value for money, productivity and effectiveness in the delivery of much-needed public service, an effective and efficient administration or bureaucracy, competent and skilled employees, dedicated leaders and public servants, the capability and capacity to manage and the effective use of resources, especially human and financial resources, and “communication and

transport facilities among the requirements of an effective system at national, regional and local levels” (Wohlmuth, 1998:46).

From an institutional perspective, the effective promotion of good governance is based on a public administrative system that is effective, efficient and responsive in its service delivery mandate; concerned about the impact of services and public value creation; transparent and accountable; competent in its leadership and staff to design and implement policies that are developmental; and has the competence to manage both the public and private sectors, whilst managing the interface with politicians (political governance).

2.4.3 Technical Governance

Dlalisa (2009:23, citing Boeninger, 1992:268), makes the point that the technical dimension of governance, which is a component of institutional governance, focuses “on resource constraints and the technical know-how on resource mobilisation and utilisation, quality service delivery and economic development”.

A discussion paper by the World Bank (1991:8) highlights that when the institutional ability and capacity of government to manage or steer the economy in the right direction, and the capacity to provide much needed public services, are weak, the prospects for progress and development are meagre or poor. Particular areas of capacity challenges highlighted and prioritised by the World Bank as part of their public sector management reform programme include poor public finance management (such as revenue management and expenditure control), weak civil service and parastatal reform (such as cost containment measures, strengthening and improving personnel management practices and the effectiveness and efficiency of state-owned enterprises). The above finding is mainly as a result of the quality of public servants, which, in the main, is influenced by a general lack of proficiency, skill and know-how needed to execute and effectively implement technical decisions, poor levels of education resulting in low or poor skills levels and the inability to exercise appropriate power and authority in the management and application of scarce resources, particularly within economic and social environments.

Wohlmuth (1998:45) highlights that if 'governance' is defined as the "way a government manages a country's affairs, then it requires a system of public administration to manage it appropriately, [and that] is skilled and adequately capacitated to deliver on its goals and objectives". Brautigam (1996:83-85, cited by Wohlmuth, 1998:46, and Dlalisa, 2009:23) argues that "the state's capacity, or ability of government agencies, structures and systems to design and accomplish its goals, is an important component of the institutional dimension". Technical proficiency and ability (technical governance) is encapsulated in the principles of institutional governance. Wohlmuth (1998:45) highlights that it is not just resources that is required for the functioning of an effective state, but also the four dimensions of state capacity, i.e. the regulatory, administrative, technical and extractive (revenue) dimensions.

According to Brautigam (1996:83, cited by Wohlmuth, 1998:47), the technical capacity or ability of the state "includes the expertise and knowledge required to make and implement technical decisions, whether in science, engineering or in macroeconomics". The technical dimension of governance includes the respective policy and strategy tools and instruments necessary to give effect to the plan and to successfully implement the decisions and policy choices of government. According to Wohlmuth (1998:47), having the appropriate technical capacity and expertise necessitates mobilising the government administration system to improve the technical capacity by acquiring the necessary, yet "appropriate technical and health standards, getting engineering projects properly evaluated or solving the technical issues of functioning of the current systems"

There is a high level of interconnection and interrelatedness between the three dimensions of state capacity. Wohlmuth (1998:47) highlights that the administrative capacity as a pre-condition, "requires technical capacity and regulatory capacity are enhanced" whilst the "technical capacity has to be organised around a functioning public administration system and under the umbrella of a sufficient regulatory capacity so that the technical standards really matter in the country".

Wohlmuth (1998:48) emphasises that it is the cumulative weaknesses, and not necessarily a single weakness, that make the function of a state effective or not, i.e. low technical skills and institutional ability and capacity (on institutional management, data collection and planning systems), weak regulatory ability (insufficient, deficient

and contradictory statutes, laws and regulations) and inadequate revenue management (extractive) capacity will add to the administrative weakness (underpaid, unsatisfied, understaffed and badly organised administrative machinery).

2.4.4 Other Schools of Thought on the Dimension of Governance

The World Bank (2018), in their article on the main dimensions of governance, added two further varieties, namely the concepts of (a) competition, open opportunity and entry by the private sector; and (b) “dealing with civil society, voice and participation”. This first point is a measurement of the extent to which the system of governance has allowed, or stopped, a restricted business elite to combine or unite their collective financial or commercial influence and authority so that it converts into some form of (party) political power. This includes measuring to what extent officials and laws have been influenced unduly in ways that further unite, consolidate and protect such financial and commercial power.

To guarantee or ensure competitive or fair market behaviour, the state should be attentive or on the look-out for signs of the concentration of financial and commercial power, the presence of dominant players or monopolies, the absence of statutes, laws and regulations and the lack of enforcement thereof. Other signs, according to the World Bank (2018), to be on the lookout for include the presence of “weak corporate governance requirements in the case of publicly traded companies, the existence of powerful business associations coupled to the political elite financially and otherwise”. The impact of such arrangements on the quality of governance itself and relationships between the political power structure and commercial or financial and economic elite will become increasingly important.

The second point focusses on ‘civil society, voice and participation’ in the formal election and referendum process. According to the World Bank (2018), governments must “focus on the variety of other channels that help assure stronger voice and participation by society at large”. This focus should include the role and function of civil society institutions and players in the administration of government entities and the delivery of public services, the practice of broad citizen participation, public hearings and community consultations on any proposed laws and regulations impacting on communities, autonomy and the independence of the press and media and the multiplicity and diversity of public views and opinion (legally and communally), and the

action of autonomous independent regulatory institutions, such as the consumer protection and media watchdog agencies, independent academic institutions and think tanks (World Bank, 2018).

In summary, good governance requires strong leadership (both politically and administratively). It requires that the institutional capacity of the state be strengthened through proper political governance practices premised on respect for the separation of powers (authority) between the parliament (legislature), the executive and the judiciary (courts). It requires initiatives to improve the efficiency and effectiveness (impact) of the state in the implementation of policy and establishing the rule of law. To ensure organisational performance, creating the required technical capacity to implement and give effect to the characteristics and requirements of a functional state is non-negotiable. Also non-negotiable is the institutionalisation of practices that encourage open opportunity and entry and fair competition by the private sector, and effective mechanisms to deal with communities, their voice and active public participation and engagement.

2.5 GOOD GOVERNANCE

2.5.1 Context and the Evolution of the Concept

‘Good governance’, introduced by Rhodes (1996) and discussed earlier under section 2.2.3 as a use of governance, was initially conceptualised in the 1980s by the World Bank. The World Bank made refinements to the definition, particularly in the 1990s, in a quest to appropriately shape its lending policy to third-world countries. ‘Good governance’ remains a contested concept. According to the IMF (2017:12), the contours of the concept remain unsettled – more generally and within the Bank, which never articulated a single unambiguous and clear-cut functioning description of the concept – both because of changes in insights and broader developments.

The World Bank (1992, cited by Leftwich, 1993:610, and Leftwich, 1994), “defines governance as the exercise of political power to manage a nation’s affairs”, and ‘good governance’, which is more expansionary in definition than just mere political power in managing a nation’s affairs, as “an efficient public service, an independent judicial system and legal framework to enforce contracts; the accountable administration of

public funds; an independent public auditor, responsible to a representative legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure, and a free press” (World Bank, 1992).

‘Good governance’, as defined by the World Bank (1992), covers the following three elements:

1. The form of political regime;
2. The process by which authority is exercised in the management of a country’s economic and social resources for development; and
3. The capacity of governments to design, formulate and implement policies and discharge functions.

The World Bank (1992) has over time stepped back from the term ‘good governance’, reverting to ‘governance’ or ‘fair governance’ instead, which implies good enough governance, or, ‘good governance which is qualified’. This is a shift from a normative to more functional organisational approach, which focuses on organisational arrangements, functions, and outcomes, both between state or government actors and “between state and non-state actors” (IMF, 2017:11). According to the Asian Development Bank (1995:7), given the governance climate, the focus of the World Bank has in recent years shifted away from “its own interventions to the overall country context within which those interventions take place”.

According to the Divine Word College of Laoag (DWCL) (2018), ‘good governance’ can be regarded “as an indeterminate term used in the international development literature to describe how public institutions conduct public affairs and manage public resources”. Furthermore, they make the point that governance is “the process of decision-making and the process by which decisions are implemented (or not implemented)”.

The IMF (2017:7), concerned with development of countries, embraces a definition that demonstrates developmental intentions: “the manner in which power is exercised in the management of a country’s economic and social resources for development.” Given this definition, governance is about managing the change and development process, including via cooperation in the private and public sectors. This process

incorporates the effective functioning, competence and ability of government, and includes the guidelines and instructions of those governance societies that produce the framework governing the conduct of both the public sector and private business, “including accountability for economic and financial performance, and regulatory frameworks relating to companies, corporations, and partnerships”. In broad terms, for the IMF, governance and, for that matter, good governance is about the institutional environment in which citizens interact among themselves and with government agencies/officials.

Leftwich (1993:611) recognises three elements for good governance, namely “systemic, political and administrative”. The systemic use of governance is wide-ranging and more comprehensive than government as it covers the “distribution of both internal and external political and economic power”. The political use of governance refers to “a state enjoying both legitimacy and authority, derived from a democratic mandate”. The administrative use refers to “an efficient, open accountable and audited public service which has the bureaucratic competence to help design and implement appropriate policies and manage whatever public sector there is”.

According to Williams and Young (1994:87), in its search to realise optimal efficiencies and effectiveness in government through the delivery of public services, the World Bank seeks to encourage open and transparent competition and opportunity for market participation; privatisation of state or public enterprise and institutions to improve citizen impact and efficiency; reorganisation and modification of the public service; improve human resource management practices in government and reduce excess staffing to improve efficiency of the state; introduce fiscal and budgetary policy principles and apply strict fiscal discipline (no overspending) in the management of public finances; apply the economic principles of subsidiarity by decentralising public administration closer to communities and empower the administration to make decisions at the lowest level; and improve and expand on the utilisation of non-governmental organisations and the private sector to deliver public goods and services. Rhodes (2000:9) defines good governance succinctly as: “good governance marries the new public management to the advocacy of liberal democracy”.

2.5.2 Characteristics of Good Governance: International, African and South African Perspective

2.5.2.1 International context and perspective

The World Bank, who is primarily responsible for the transformation of financial (fiscal), social and economic and resource management, highlights three characteristics of a society that affect the form and nature of a nation's approach to governance: (a) the "type of political regime"; (b) the "process by which authority is exercised in the management of the economic and social resources, with a view to development"; and (c) the "capacity of the state to formulate policies and have them effectively implemented" (World Bank, 1992). As indicated earlier in the chapter, the concept of 'good governance' was conceived by the World Bank as part of their own reform agenda, to strengthen the lending criteria of the Bank. As part of this reform and as part of the World Bank's research program according to the World Bank & Kaufmann (2010), the Worldwide Governance Indicators (WGI) have been developed (using indicators for more than 200 countries) between 1996 and now. The WGI captures six key dimensions or criteria of good governance, which "include (1) voice and accountability; (2) political stability and lack of violence; (3) government effectiveness; (4) regulatory quality; (5) rule of law; and (6) control of corruption" (World Bank & Kaufmann, 2010). Therefore, the essence of good governance from the perspective of the World Bank, et al. (1994) is thorough "development management, and the key dimensions of governance are public sector management, accountability, the legal framework for development, and information and transparency".

The United Nations (UN), on the other hand, has also began to play an increasing role in promoting the application of 'good governance'. The former UN Secretary-General, Kofi Annan, makes the point that "good governance is ensuring respect for human rights and the rule of law; strengthening democracy; promoting transparency and capacity in public administration". The UNDP (1997) has developed nine characteristics for describing 'good governance'. These include "(1) participation; (2) rule of law; (3) transparency; (4) responsiveness; (5) consensus; (6) equity; (7) effectiveness and efficiency; (8) accountability; and (9) strategic vision" (UNDP, 1997).

The International Monetary Fund (IMF), created in 1996 at a United Nations conference in Bretton Woods, New Hampshire, made a declaration on “promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption”, to be indispensable components within “a framework within which economies can prosper” (IMF, 2009). The IMF expresses the view that dishonesty, corruption and bribery inside economies is mainly triggered “by the ineffective governance of the economy, either too much regulation or too little regulation” and therefore made it a prerequisite for borrowers to have the prescribed IMF good governance guidelines, policies and procedures in place before receiving any loans from the IMF (IMF, 2009).

The approach of the Asian Development Bank (ADB) to governance is guided by their own assessment of development programs and projects in relation to their impact, efficacy and success with which development support is utilised, as well as assessing the absorptive ability of their borrowing nations. According to the ADB, governance is regarded as having one and the same meaning as proper or sound development management. As a result, the logical diagnostic framework for addressing governance matters draws a difference between the components of good governance and the exact areas of public sector management intervention in which they could be endorsed or their existence improved. The ADB builds on the approach by, and the analysis of, the World Bank and has recognised four components or elements of ‘good governance’, namely “accountability, participation, predictability, and transparency” (Asian Development Bank, 1995:vii).

The UNESCAP (2018) identifies eight dimensions or characteristics of good governance, namely “participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law”. The UNESCAP makes the point that the application of good governance practices guarantees that maladministration, fraud, corruption and dishonesty are minimised, the opinions of minority groupings are considered and valued and that the views and inputs of the poor and underprivileged in society, obtained in public consultation processes, are considered and included in decision-making processes. It also includes being “responsive to the present and future needs of society” (UNESCAP, 2018).

2.5.2.2 African and South African perspective and commitments to good governance

2.5.2.2.1 African context and perspective

Over the last two decades, the African continent has been facing serious governance challenges, particularly from a political and institutional perspective, with corruption, disregard for human rights and dictatorship topping the list. These challenges and the absence (lack) of good governance or the presence of bad governance practices in some African states have created a sense of panic amongst African leaders as the criteria for obtaining international funding support for development, particularly from organisations (for example the World Bank and the IMF) include a focus on evaluating good governance. This has resulted in African states formally and collectively committing themselves to the standards and elements of good governance at international (African) conventions, and taking up programs and policy documents of institutions, such as the “United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UN-PAAERD) and Africa’s Priority Programme for Economic Recovery 1986-1990 (APPER)” (Adedeji, 1998:1).

Dlalisa (2009:35, citing UNECA, 1988) indicates that the main aim of the various charters developed at these conferences, which will be discussed below, is a clear and overwhelming “demand for change in the political system of African countries to allow for citizen participation in decision making at all political levels” including “manpower development and its utilisation in the long run and the ways and means to strengthen the role of non-governmental organizations”.

The Khartoum Declaration is regarded as one of the first initiatives in Africa towards embracing the elementary elements and components of good governance. The Declaration was adopted in 1998 at the International Conference on the ‘Human dimension of Africa’s economic recovery and development’ in Sudan, as a consequence of the International Conference on Africa: The challenge of economic recovery and accelerated development, held in Nigeria in 1987. According to Africabib (1988), the analytical part of the Khartoum Declaration (reproduced in a condensed and slightly edited version) encapsulates a complete analysis and assessment of the

conditions of humans in Africa and, given the state of affairs, “criticizes many structural adjustment programmes for being incomplete, mechanistic and of too short a time perspective” and “concludes that the human dimension is the *sine qua non* of economic recovery”. Africabib (1998) concludes, recommending the human factor be incorporated in the recovery and structural adjustment processes; special attention be given to the social sector in general, including vulnerable and poor community groups; and advocates long-term sustainable human resource development and utilisation and enhancing the role of local, national and international role-players, non-governmental organisations and the private sector. Dlalisa (2009:34, citing the UNECA, 1998) indicates that the Khartoum Declaration emphasises the “urgent need to improve the African political environment, promote development, overcome political instability and intolerance, restore the freedom and human rights of individuals and groups and to abolish the over-centralization of power in African states”.

The African Governance Architecture (AGA) has a main purpose to encourage and promote interactions and to build relations between stakeholders who are tasked with strengthening democracy and advancing good governance in Africa. Additionally, it is their responsibility to interpret and explain the objectives of the legal and policy declarations in the AU shared values. The AGA was initiated pursuant to the declaration at the 15th Summit of the Assembly of Heads of State and Government of the African Union (Assembly/AU/Dec.304 (XV)), with the 16th conference theme being ‘Shared Values of the African Union’. The African Union Commission (AUC) was mandated to establish a ‘Pan-African Architecture on Governance’ with the main aim of establishing the instruments and developing a procedure for improving public policy negotiation, “convergence, coherence, and harmonization amongst AU Organs, institutions and Member States as a way of speeding up the integration process on the continent”.

The justification and motivation for the AGA is the absence of efficient and effective harmonisation, collaboration, interaction and coordination amongst the many governance organisations, instruments and frameworks at national, regional and sub-regional levels. In many cases, these governance organisations work in silos, they do not share information or adequately coordinate their activities. As a consequence, they are not sufficiently integrated and do not benefit sufficiently from each other to enable effective and sustained performance. The AGA is intended to plug this lacuna in the

governance arrangements and structure of the Africa continent and was set up to establish approaches to strengthen existing governance institutions and ensure effective harmonisation amongst these institutions, resulting in optimum organisational performance (AGA, 2018). The AGA complements the main duties of states and current institutions of the AU on governance and provides an opportunity to participate and develop the required institutional capacity and ability to adequately respond to Africa's many governance challenges. The AGA (2018) makes the point that "a coordinated and integrated approach is no substitute for the primary responsibility of AU Member States in democracy, governance and human rights".

In search of embracing the philosophies of good governance, another key initiative by African states is taken up in the United Nations. Economic Commission for Africa: African Charter for Popular Participation in Development and Transformation. This Charter (UNECA, 1990:1), conceived at the conference in Tanzania in 1990 on Popular Participation, demands the development of a new dispensation in Africa, namely "an Africa in which democracy, accountability, economic justice and development for transformation are internalised and the empowerment of the people, initiative and enterprise and the democratisation of the development process are the order of the day in every country".

The African Charter for Popular Participation in Development and Transformation sets out a comprehensive and valuable practical understanding of the definition, meaning and application of good governance in the African context for the following reasons:

- The United Nations, in its founding documents, enshrines the concept of citizen and community participation as integral to their own advancement and development. It includes consideration for communities' own capabilities in shaping particular developmental initiatives. In this regard, the ENECA African Charter in UNECA (1990:6) not only commences with the words "we the people of the United Nations", but also states and affirms that as the people they remain committed, yet resolute and determined, "to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women ..." and "to promote social progress and better standards of life in larger freedom".

- The UNECA Charter (1990) likewise expresses and demands the state and broader public commence playing a different role within the political processes. The different role requires and is premised on partnering, co-creation and co-decision making between the state and communities as essential elements “to promote freedom of expression and other basic human rights”. This promotes political, institutional and community accountability, as well as efficient and real decentralisation and widespread community and public participation that is sufficiently broad based at all levels of the community.
- The requirements for the developmental processes consider the requirements from bi-lateral and multi-lateral institutions. Those that prioritise and stress the importance and focus on “more economic power to people, decentralisation, accountability and popular good governance principles”, are also enshrined in the Charter.
- The development and inclusion of indicators, which, according to UNECA (1990:19), aim to monitor progress in relation to community and citizen participation and partnering. These indicators include matters like literacy rates, the “number and scope of grassroots institutions, representation of people in the parliament, the rule of law, freedom of association, press and media freedom and political accountability”.

The principles of good governance, particularly in the African context, are also captured in documents from the African Development Bank (ADB). According to Ndegwa and Green (1994:54), and cited by Dlalisa (2009:37), the ADB is tasked with developing proposals for the “design of an African Development Strategy for the 1990s and the Imperative Political and Economic Agenda for Africa to 2000 and Beyond (IPEA)” (ADB, 1994:155-164). These development policies and proposals have to be community or people-centred to ensure that equality and equity issues are incorporated in economic transformation and change programmes and initiatives. The ADB (1994), according to Dlalisa (2009:37), also supports the views of the World Bank on the principles relating to political democratisations and has identified six principles

or elements of good governance that are regarded as fundamental for “the promotion of socio-economic development” and advancement. These elements include:

1. A legal basis and “framework that guarantees the rule of law”;
2. based on the construct of the political and social heterogeneity or diversity, community involvement, participation and co-creation that enable inclusion in decision-making processes by communities, at all levels of government;
3. bureaucratic accountability and transparency to ensure the uniform application of the rules and to ensure the depersonalisation of decision-making processes of public servants;
4. a legitimate and rightful government based on popular determined sovereign rule and worldwide recognition that is supported by public administrative systems that is appropriately structured and organised;
5. rationality of governmental organisational structures and incorporation of a public administration system that is highly structured with competent officials and;
6. ‘freedom of association and expression to allow the formation of civil society organisations, and a critical evaluation of government decisions”.

The Treaty of the Southern African Development Community (SADC, 1992) agrees to good governance principles that “include human rights, democracy and the rule of law”. These principles are captured in the 1997 Maputo Declaration, which encapsulates culture, peace and governance. The Maputo Declaration includes a conviction by the members to the promotion of peace, “a system of representative democracy and governance driven by democratic principles of justice, freedom and tolerance” in order to empower and involve people in development and decision making. Elements and principles of good governance, such as the promotion and advancement of democratic institutions, community and public participation, promoting human rights and adherence to the rule of law, are reflected in the goals of the African Union (AU). These principles are in addition to the promotion and protection of “human and peoples’ rights, respect for democratic principles, human

rights, the rule of law and good governance” (Constitutive Act 2001:4, cited by Dlalisa 2009:39).

Another initiative in Africa adopted by African ministers responsible for finance and for planning and development is the African Alternative Framework (AAF) to Structural Adjustments Programmes for Socio-Economic Recovery and Transformation (AAF-SAP). The AAF-SAP highlights aspects of good governance, and provides comprehensive approaches to advance structural adjustment programmes that are citizen inclusive, participatory in nature and that contain alternatives and substitutes that have been formulated, are owned and internalised by African states (UNECA, 1989). Dlalisa (2009) makes the point that “the AFF calls for more authority to local communities, defining a new role for popular society organisations, promoting public private partnerships and supporting more community self-management and mass participation in decision making”.

The Ibrahim Index of African Governance (IIAG) was launched in 2007 and is globally regarded as the most comprehensive mechanism and tool used to enable the collection of data on African governance and is utilised for monitoring and measuring governance progress across the Africa continent. The IIAG uses more than 100 variables from more than 30 independent African and global institutions to construct their annual assessment of the quality of governance in African countries. The IIAG (2007) makes available “a framework for citizens, governments, institutions and the private sector to accurately assess the delivery of public goods and services, and policy outcomes”, across the Africa continent. This framework is regarded as a monitoring and measurement mechanism and tool to assist, debate and assess the performance of governments in Africa in performance and in that regard, it is “a decision-making instrument with which to govern” (IIAG, 2007).

The IIAG (2007) explains “governance as the provision of the political, social and economic goods that a citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens”. The IIAG monitors, measures and evaluates development using four main categories and by benchmarking governance performance transversely across a number of governance dimensions at the local, national, regional levels, and across the African continent. The four main categories or pillars include “Safety and Rule of Law, Participation and Human Rights,

Sustainable Economic Opportunity and Human Development”, and consist of data and information that cover a wide variety of governance elements “ranging from infrastructure to freedom of expression and sanitation to property rights” (IIAG, 2007).

South Africa performs relatively well against other developing countries in terms of public financial management. This was confirmed in 2018 by the findings of the Mo Ibrahim Index of African Governance (IIAG), which ranked South Africa 4th out of the 54 countries in Africa. Over the past five years, South Africa has been able to consistently improve its score by 0.9 annually and has moved up from its overall position of 5th in 2011. South Africa has remained consistently in the index’s top 10 since 2000. Overall, Africa has also shown some improvement in level of governance, with 94% of Africans living in a country that is better governed in 2013 than in 2000.

The 2017/2018 World Economic Forum’s Global Competitiveness Report ranked South Africa 61st, while it was ranked 47 out of 138 countries in 2016/17. The Report notes the strength of auditing and reporting standards in South Africa, where it was ranked first. However, it also highlights three problematic factors when doing business with South Africa: corruption, crime and theft, and government instability.

The New Partnership for Africa Development (NEPAD) is seen as one of the most recent examples of Africa’s pledge to follow and adhere to the principles of good governance. Members, as part of the protocol agreement, have dedicated and devoted themselves “to the respect of global standards of democracy”, such as the promotion of diversity, heterogeneity, accountability, transparency and democratic and autonomous political, financial and economic governance in Africa (Constitutive Act, 2001:24-26). The African peer review mechanism (APRM) is the process, as part of the accountability chain, through which each members’ adherence to the principles, values and philosophies of good governance is monitored and reported.

The earlier examples, supported by subject matter experts and institutions such as the World Bank, IMF and the OECD, undoubtedly demonstrate Africa’s commitment to good governance and serve as a clear demonstration of the understanding by African leaders that good governance is clearly linked to the developmental potentials and challenges of democratisation in Africa, with the focus on ‘people’ as the centre holding these initiatives together.

2.5.2.2.2 South African context and perspective

2.5.2.2.2.1 The King Committee reports

In South Africa, the concept of good governance was introduced as late as 1994, when the King Report on Corporate Governance (King I) was made public. The King I Report was the first of its kind in the country, and was widely recognised as providing pioneering work in corporate governance literature. According to the King II (2002:2), the King I Report was aimed at encouraging and endorsing “the highest standards of corporate governance”. In addition to the economic, financial and regulatory features and characteristics of corporate governance, the King I “drew attention to the importance of a properly functioning board of directors as a key ingredient of good corporate governance” (King II, 2002:2). The King I advocated and promoted “many of the standards and principles encouraged in the plethora of national codes that were adopted ... following the release of the Cadbury Report in the United Kingdom in 1992” (Armstrong, Segal & Davis, 2005). The King Report (1994) defines the concept of corporate governance as “a process to help directors discharge their responsibilities”.

The King I advocates that a cohesive and integrated approach to good governance is required in order to ensure that ethical, social and environmental practices are applied to serve the best interest of a wide range of participants. The King I was generally regarded, at the time, as a revolutionary, innovative and pioneering piece of research work. However, given the many changes and developments in the international and local economic, financial, environment and legislative environment, particularly after 1994, the King I Report had to be brought-up-to-date with the publication of a second report (King II) on Corporate Governance for South Africa (UNECA, 2013:12, citing Cliffe Dekker Attorneys, 2002). Although not intended as a replacement or substitute for the rule of law or to make up for the shortcomings in the legal regime governing corporations in South Africa, the King II was developed to expand on the practices and application of good corporate governance as defined by the law.

The King I was famous for its focus on the advancement of a cohesive and integrated approach to good governance and incorporates both the international economic and financial environment and the legislative framework into a single framework. According to Cliffe Dekker Attorneys (2002:2), the King II Report signals an approach or a diversion away from a ‘single bottom line’ or profit driven objective and recognises and

introduces the ‘triple bottom line’ approach, which promotes the “economic, environmental and social aspects of companies’ activities”. The King II is applicable “to all companies with securities listed on the Johannesburg Stock Exchange, banks, financial and insurance entities and certain public sector enterprises”, such as the national, provincial and local government departments, and emphasises that in order to be successful, from a governance perspective, the “21st century requires companies to adopt an inclusive and not exclusive approach” and also requires openness “to institutional activities and there must be greater emphasis on the sustainable or non-financial aspects of its performance” UNECA (2013:12). In addition, it requires company boards to act responsibly in their operations, be transparent, responsive, responsible and accountable (to shareholders and communities), and in all respects apply the test of fairness. It requires a calculated balance between compliance to good governance principles and performance in a business driven or entrepreneurial market economy.

The King II outlines specific governance standards, mainly focusing on the separation of roles and structures, commencing from the board of directors to the auditing and functions. The King II covers the following:

1. Clearly sets out the functions, responsibilities and powers of the governing board;
2. Differentiates between the distinctive powers, functions, roles and responsibilities of the board chairperson and the chief executive officer;
3. Differentiates, clarifies and defines the respective powers, roles, functions and responsibilities between the executive and non-executive directors;
4. Creates a requirement to outline and consider operational and institutional risk management, establishing an internal control mechanism and clearly demonstrating the measures introduced to alleviate, moderate and control or manage risks;
5. Lays out explicit board requirements in relation to the function and operation of internal audits, defining it as “an independent, objective assurance and consulting activity to add value and improve an organisation’s operations by helping the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance

processes". In addition, it requires "commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice" (Cliffe Dekker Attorneys, 2002:12, cited by UNECA, 2013:14);

6. A focus on cohesive and integrated sustainability reporting, focusing on the 'triple bottom line', i.e. finding a balance between "integrated economic, social and environmental performance" and the connection between the company or organisation and the broader community in which it operates; and
7. Accounting and auditing standards, specifically external auditing, to provide an objective external view of the state of affairs of the company or organisation.

In acknowledging the changing conditions in which corporations operate, the King III Report provides the changes to corporate governance guidelines and is therefore regarded as a further enhancement of the King II. The King III was released in September 2009, mainly in response to anticipated changes to the 2018 South African Companies Act, as well as changes in global governance practices and learnings pursuant to the publication of the King II in 2002. In addition, citing the Times (2007:1), the enactment of legislation such as the Prevention of Corrupt Activities Act (POCA) in 2004 and the Auditing Professions Act in 2005 also contributed to the development and publication of King III.

There is perfect alignment between the King II and King III in that many provisions in the two King reports are fundamentally the same. However, the main point that distinguishes the King III from its predecessor and makes it a more superior publication is that the King III advocates giving "more powers to non-executive directors and emphasises their independence". The King III became effective in March 2010 and, according to UNECA (2013:16), it "applies to all entities regardless of their form and manner of incorporation". UNECA (2013:16) explains that the King III consists of two distinct codes or documents, namely (a) "a code of governance (the Code), which is a set of principles"; and (b) a "Report that contains recommendations of best practice for each principle". The hypo dissertation is that "adherence to the principles contained in the King III Report will result in an entity practicing good governance" (UNECA, 2013).

King III remains principles-based and is fundamentally premised on ‘apply or explain’ as opposed to the ‘comply or else’ approach of King II. This means that the main aim is for corporations to strive to comply with the Code and, if so, they are entitled or can issue a positive statement. If not compliant, corporations are bound to provide reasons and explain the reasons for non-compliance and non-adherence to the principles or recommendations of the Code to their stakeholders.

The principle of sustainability is one of the main principles and themes underpinning the King III, making it a requirement that “all statutory financial information and sustainability information be incorporated in the company’s report” (UNECA, 2013:16). The Report, which integrates and reflects the ‘triple bottom line, namely the economic, social and environment, should contain the necessary information demonstrating to what extent the activities and actions of the business or corporation has either positively or negatively impacted on the environment, community governance matters and the economic and social life of the public. According to UNECA (2013:16) and the Institute of Directors Southern Africa (2009:13-14), the King III incorporates issues of “alternative dispute resolution, risk-based internal audits, shareholders and management remuneration and the necessity for evaluating the board and the performance of directors”.

The King IV (2016), like its two predecessors, was issued in response to significant corporate governance and regulatory developments locally and internationally, and is seen as a significant enhancement since the release of the King III in 2009. According to the King Committee (2016), the King IV was published on 1 November 2016 and came into effect on 1 April 2017. It replaces or substitutes the King III in its entirety. Listed companies are generally applying King III, whilst King IV has been extended and made more applicable to include public sector institutions.

The King IV was crafted as a response to challenges experienced by non-profit organisations (NGOs) and public-private companies and entities in the public sector in understanding, interpreting and adapting the King III code and its associated principles to their specific circumstances. The King Report on Corporate Governance (2018) and the guide on questions and answers on the King IV (2016) make the point that the enhancement to the code is chiefly aimed at making King IV more applicable and accessible to all types of entities across various sectors.

2.5.2.2.2 ANC Freedom Charter

Stemele (2009:11) is of the view that “the concept of good governance in South Africa was initially mooted by the African National Congress” (ANC), in its “Freedom Charter document, which was adopted by the Congress of the People in Kliptown in 1955”. He highlights the following key aspects of governance as a concept and not necessarily in the context of good governance, contained in the Freedom Charter:

- **The people shall govern.** The Freedom Charter’s underlying philosophy is based on the principles of governance for the people by the people. This implies “governance is supposed to be implemented by allowing people to take part in the administration of the country” and in this way promotes participation of citizens and communities in matters that directly affect them;
- **People to have equal rights.** This, according to Stemele (2009:16), “is the basis of the equality clause”, which is captured in section 9 of the South African Constitution; and
- **All shall be equal before the law.** This principle addresses the good governance principle of ‘adherence to the rule of law’. “If there is no rule of law, people might be treated arbitrarily”.

(ANC website 2007, as cited by Stemele, 2009).

2.5.3 Characteristics and Principles of Good Governance

Various authors and policy makers have written about the characteristics and principles of good governance with the aim of putting together a universal set of good governance principles and departure points that can be made equally applicable to public and private sector institutions. These principles are underpinned by values, as good governance on its own will not succeed in the absence of strong leaders (e.g. management, political leaders or directors of institutions) whose conduct is underpinned by a set of personal behavioural values. The principles of good governance (as obtained and syndissertationed from various research papers, such as the UN, CIPFA, World Bank, IFAC, IDA, Asian and Africa Development Banks, UK Government and King Reports), include some of the following:

From the United Nations (2018):

- **“Participation:** All men and women should have a voice in decision-making ... built on freedom of association and speech, as well as capacities to participate constructively;
- **Rule of law:** Legal frameworks should be fair and enforced impartially, particularly the laws on human rights;
- **Transparency:** Transparency is built on the free flow of information”;
- **Responsiveness:** “Institutions and processes try to serve all stakeholders”;
- **Consensus orientation:** Facilitation of “differing interests to reach a broad consensus on what is in the best interests of the group, and ... on policies and procedures”;
- **“Equity:** All men and women have opportunities to improve or maintain their well-being;
- **Effectiveness and efficiency:** Processes and institutions produce results that meet needs while making the best use of resources;
- **Accountability:** Decision-makers in government, the private sector and civil society organisations are accountable to the public, as well as to institutional stakeholders”; and
- **“Strategic vision:** Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development”.

2.5.4 Good Governance in the Public Sector

2.5.4.1 International perspective

To help everybody comprehend and apply the mutual principles and philosophies of good governance and to evaluate the strengths and weaknesses of current governance practices in the public sector³, the Chartered Institute for Public Finance

³ Good governance in the public sector: the same principles apply *mutatis mutandis* to the international and local context.

and Accounting (CIPFA) published a guide on Good Governance Standard for Public Services (CIPFA, 2004). The Standards are useful for those tasked with oversight and governance responsibilities, such as councillors, governors and directors of boards “who are striving to do a difficult job better, and to individuals and groups who have an interest in scrutinizing the effectiveness of governance” (CIPFA, 2004:1). The International Federation of Accountants (IFAC) (2001:11), in the Cadbury Report (1992), which is a study on governance activities and arrangements in the public sector, explains corporate governance as “the system by which organisations are directed and controlled” and provides the following as principles and philosophies of good corporate governance within the broader public sector:

1. **Openness:** Together with transparency is a key requirement to ensure that participants and stakeholders, through consultation and having complete, precise and clear information, have assurance in the administrative, managerial and policy making processes and activities of government entities;
2. **Integrity:** Comprises both straightforward dealings and completeness. “It is based upon honesty and objectivity, and high standards of propriety and probity in the stewardship of public funds and resources”, which includes the management of the affairs of public sector institutions; and
3. **Accountability:** Is about stewardship (‘taking care of’) over public resources and all aspects of public sector organisation performance. It involves “the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions ... and whereby they submit themselves to appropriate external scrutiny” and to respond to a responsibility conferred. Aucoin and Heintzman, (2000, cited by Peters, 2000:21), describes accountability as “(a) to control for the abuse and misuse of public authority; (b) to provide assurance in respect of the use of public resources; and (c) to promote learning in pursuit of continuous improvement in public management”.

Although these three underlying principles, as defined in the Cadbury Report (1992), are comparable to both private sector and government entities, the context of the public sector nonetheless requires some form of adaptation to reflect key differentiating features between government entities and private sector institutions.

According to IFAC (2001:12), “public sector entities have to satisfy a more complex range of political, economic and social objectives, which subject them to a different set of external constraints and influences; and are subject to forms of accountability to their various stakeholders which are different to those that a company in the private sector owes to its shareholders”. CIPFA (2014:1) makes the point “that governance is dynamic: good governance encourages the public trust and participation that enables services to improve”. On the other end, they state that poor or “bad governance fosters low morale and adversarial relationships that lead to poor performance or even, ultimately, to dysfunctional” organisations (CIPFA, 2014).

2.5.5 Principles of Governance in the Public Sector

The principles of governance, as discussed earlier, include concepts such as openness, transparency, accountability and integrity and should be echoed and mirrored in each of the dimensions of governance within the broader public sector. According to IFAC (2001:12-13), these include the following:

- **“Standards of behaviour:** How the management of the organisation exercises leadership in determining the values and standards of the organisation, which define the culture of the organisation and the behaviour of everyone within it;
- **Organisational structures and processes:** How the top management within organisations is appointed and organised, how its responsibilities are defined and how it is held accountable;
- **Control:** The network of various controls established by the top management of the organisation to support it in achieving the entity’s objectives, the effectiveness and efficiency of operations, the reliability of internal and external reporting, and compliance with applicable laws and regulations and internal policies; and
- **External reporting:** How the top management of the organisation demonstrates financial accountability for the stewardship of public money and its performance in the use of resources”.

The Good Governance Standard for Public Services, as set out in the 2014 CIPFA, advocates six core underlying philosophies and principles of good governance, with a particular focus on public sector institutions. The Standard builds on the work done and defined by the Committee of Standards in Public Life (1995:14), which is generally referred to as the Seven Principles of Public Life, and commonly known as the Nolan principles. The Nolan principles are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles are applicable to everybody who works as a public office-bearer and includes those who are elected (voted in) or selected through recruitment to public office, as well as those in other sectors that deliver public services, notwithstanding the size or level of complexity of the public sector institution. According to the article, 'The Good Governance Standards for Public Services', it is rather for "organisations to demonstrate the *spirit and ethos* of good governance, which the Standard aims to capture and which cannot be achieved by rules and procedures alone" (OPM & CIPFA, 2004:2).

The six core principles of good governance in the public sector, according to CIPFA (2004), are set out in Figure 2.3 below:

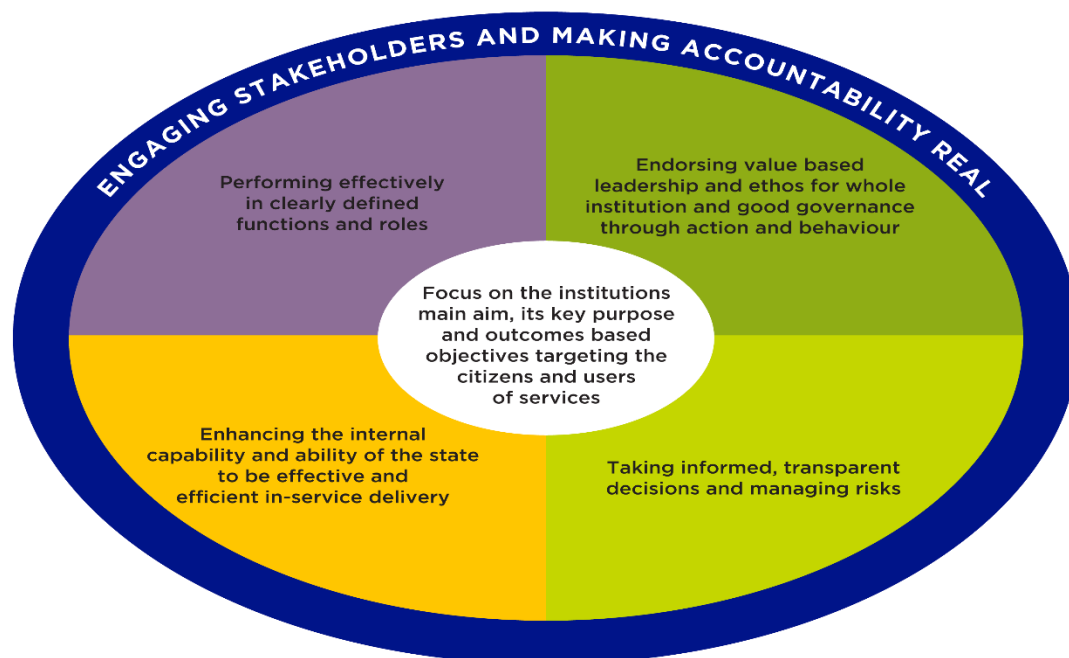


Figure 2.3: Good governance standards

Source: Adapted from CIPFA (2004:4).

The core principles of good governance, according to CIPFA (2004:5) include the following:

1. “Good governance means focusing on the organisation’s purpose and on outcomes for citizens and service users”: It is about (a) “being clear about the organisation’s purpose and its intended outcomes for citizens and service users”; (b) “making sure that users receive a high quality service”; as well as (c) “making sure that taxpayers receive value for money”.
2. “Good governance means performing effectively in clearly defined functions and roles”, through (a) “being clear about the functions of the governing body”; (b) “being clear about the responsibilities of non-executives and the executive”; (c) “making sure that those responsibilities are carried out”; and (d) “being clear about relationships between governors and the public”.
3. “Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour”, by (a) “putting organisational values into practice”; and (b) “individual governors behaving in ways that uphold and exemplify effective governance”.
4. “Good governance means taking informed, transparent decisions and managing” risks, by (a) “being rigorous and transparent about how decisions are taken”; (b) “having and using good quality information, advice and support”; and (c) “making sure that an effective risk management system is in operation”.
5. “Good governance means developing the capacity and capability of the governing body to be effective”, by (a) “making sure that appointed and elected councillors have the skills, knowledge and experience they need to perform well”; (b) “developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group”; and (c) “striking a balance, in the membership of the governing body, between continuity and renewal”.
6. “Good governance means engaging stakeholders and making accountability real”, by (a) “understanding formal and informal

accountability relationships”; (b) “taking an active and planned approach to dialogue with and accountability to the public”; (c) “taking an active and planned approach to responsibility to staff”; and (d) “engaging effectively with institutional stakeholders”.

Although the Worldwide Governance Indicators (WGI) provide a useful indication or snapshot of some observations and insights of a states’ excellence in and quality of governance, it has not been without critique, particularly regarding the construction and usefulness of the indicators (characteristics) (Arndt & Oman, 2008; Thomas, 2009; and Langbein & Knack, 2010). The critique includes issues such as:

- A lack of conceptual clarity of the theory of ‘good’ governance, what it really means, as well as the fact that it measures “a broad underlying concept of ‘effective governance’ ... they appear to say the same thing, with different words ... and the six indexes do not discriminate usefully among different aspects of governance”;
- “Each of the indexes ... merely reflects perceptions of the quality of governance more broadly” and does not reflect the specific reasons and consequences of the application of good governance. Given this, it limits the lessons learnt and the use of those lessons for those tasked with policymaking, implementation and the academia.”
- The indicators are not reproducible and too complex; and accordingly they are not appropriately used in “measuring the impact of institutions as they really exist in a particular place on real outcomes”; and
- The “absence of a normative concept or unifying single theory to distinguish between good or bad governance” or of an underlying theory of ‘good’ governance.

In conducting the case studies and focus group discussion, the researcher will use some of these good governance indicators supported by information gathered from focus groups, key staff, communities, private sector business and government (public sector) workers to diagnose governance vulnerabilities at the respective municipalities

in order to gauge to what extent the absence and presence of these indicators has contributed to organisational performance. The aim is to make concrete proposals on how to improve the state of governance for organisational performance. Chapter 5 of this dissertation provides more content on the definitions and application of these good governance indicators, particularly how they relate to organisational performance.

2.5.6 Bad or Poor Governance

The researcher could not obtain any normative concept or unifying single theory on 'bad governance', other than some articles that endeavour to distinguish and differentiate between 'good' and/or 'bad' governance as a concept or theory. There are many references in, for example, speeches of politicians and institutions charged with governance responsibilities, with 'bad or poor governance' being the reason for most failures in processes and institutions.

In essence, bad governance refers to "the inability of a public institution to manage public affairs and public resources". According to MidjkAn (2014), the definition or concept of bad governance means the "failure of a government to meet the needs of society while making the best use of all resources at their disposal". Poor governance can be regarded as a synonym for bad governance, and "is characterized by arbitrary policy making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption".

According to the World Bank (1992), poor or bad governance is defined in relation to, or juxtaposed against, 'good governance'. One can argue that it is the other side of the same (governance) coin (good versus bad). The World Bank (1992) emphasises that "good governance is epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs". On the other hand, or the other side of the same coin, 'poor governance' is branded and "characterized by arbitrary policy making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption".

According to Kalbaq (2015), “bad governance is being increasingly regarded as one of the root causes of all evil and suffering within our societies, it is the complete opposite of good governance and involves abuse of human rights, corruption, lack of transparency, lack of responsiveness, and lack of accountability”. To the contrary, in their effort to reduce and eradicate bad governance, academia and experts opted to rather focus on ‘good governance’ than ‘poor or bad governance’, signalling a positive approach to the developmental and growth agendas. The UNSCAP (2018:1) simply states that “bad governance is being increasingly regarded as one of the root causes of all evil within our societies”.

Kalbaq (2015:3) makes the point that “bad governance is characterized by corruption, crime, no freedom of expression in public organizations, abuse of human rights, high levels of centralization” with a very small number making decisions, the absence of transparency and accountability and, in the researcher’s view, the antonyms or opposites of the good governance indicators discussed in this chapter.

According to Kalbaq (2015), “there is little openness in government business and most people regard the public service as not transparent and accountable. Conflicts, civil wars, inadequacy, no existence of political parties constitute bad governance”. Further, ‘bad governance’ is “coordinated by aggression that is violent, deception or cheating against the will of peaceful people” (Kalbaq, 2015). Albin-Lackey (2013) makes the point that “corruption creates instability and unpredictability in governance”.

Dlalisa (2009:40) makes the point that bad governance or “undemocratic governance leads to ills, such as corruption, waste of much-needed resources, abuse of human rights and economic and social exclusion” and that “the absence of good governance principles is detrimental to the role of the government”. Government, in its aim to address poverty and inequality and in achieving the sustainable development goals, must subscribe to aims and objectives of a development state. In this regard, Dlalisa (2009:40) makes the point that “poverty alleviation measures and the decentralisation processes are likely to be undermined by the lack of public accountability and transparency, corruption and disregard human rights”.

Although the indicators of good governance are not regarded as a set of complete measures of governance, given that it only measures a country’s comparative ranking of that indicator, they are nonetheless important indicators as they test the presence

or absence of good governance in an institution. As set out under the discussion in this chapter on the topic of 'good governance', the absence of 'good governance' is a direct result of 'bad governance' and this is therefore the reason that it can be used to effectively measure governance in and performance of an institution.

According to Mead (2018), the impact of "bad governance results into huge loss in economic growth and it also affects the human resources, the human ingenuity and the personality of the citizens". He makes the point that "bad governance and corruption deter investment, waste national resources and forebode allocation and increase insecurity" and that the poor and vulnerable are most negatively impacted, and hurt and suffer the most as a result of bad or poor governance practices such as maladministration, dishonesty, fraud, bribery and corruption (Mead, 2018).

In the South Africa context, 'bad governance', according to Dlalisa (2009:1, citing Frimpong & Jacques, 1999), has resulted in a disaster that is coupled with a clear lack of confidence in the actions of government in addressing service delivery problems in local government. He indicates that because of bad or poor governance people will "no longer believe that their governments will make good and keep their promises to deliver services" Dlalisa (2009) cites Frimpong and Jacques (1999:122), making the point that "the majority of people are faced with inadequate health services, unclean water, poor educational services, badly maintained infrastructure, inadequate housing and starvation because state institutions have become so paralysed by corruption", and that they are just unable to deliver on their stated promises.

Schwella, et al. (2015:67) make the point that good governance must serve the interests of the public. If it does not, it is bad governance. Further, "[g]ood governance is supported by effective constitutions and constitutionalism, while bad governance seems to thrive under conditions of arbitrariness and authoritarianism" (Schwella, et al., 2015).

The difference between Good Governance and Bad Governance is best illustrated graphically below:



Figure 2.4: Difference between good and bad governance

Source: Kumar, K (2018) – Presidential Address – 2018 CIGFARO Conference.

It is the view of the researcher that it is highly unlikely, although there are examples to the contrary, that bad governance has the possibility to enable the provision of excellent clean service delivery to the people due to the absence of some of the key attributed that contributes to good governance. Simply put, 'bad or poor governance' is a function of the absence of 'good governance'.

Section 2.6 aims to explore and provide some evidence on the nexus or connection between governance and organisational or institutional performance and to what extent the absence or presence of good governance practices impact on optimal organisational performance.

2.6 GOOD GOVERNANCE AND ORGANISATIONAL PERFORMANCE

2.6.1 Governance for Performance

In a World Bank working paper, Kaufman, et al. (1999) concludes that there “is new empirical evidence that governance matters, in the sense that there is a strong causal relationship from good governance to better development outcomes such as higher per capita incomes, lower infant mortality and higher literacy” (IFAC, 2013).

This view from Kaufman, et al. (1999) highlights the key role of the public sector to affect societal change and the importance of applying good governance practices in public sector service delivery. In essence, according to IFAC (2001:1), “effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving peoples’ lives”. It is also critical for building both public confidence and trust in order to enable and ensure that government entities are effective in meeting their service delivery and developmental objectives.

According to IFAC (2013:6), “effective governance is characterized by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption”. It “can improve management, leading to more effective implementation of the chosen interventions, better service delivery, and, ultimately, better outcomes” (IFAC, 2013). Improved delivery performance of local government against stated objectives leads to better sustainable outcomes and ultimately ensures that people have an improved or better quality of life that is aligned to the developmental objectives of local government.

There are mixed views on whether or not there is empirical evidence that the application of good and effective governance results in better public sector organisational performance. Heracleous (2001:165) summarises this in his research outcomes on the relationship between good governance ‘best practices’ and organisational performance. Heracleous (2001:165) finds the relationship to be insignificant and provides four possible reasons for this. Firstly, the likelihood that these ostensible good governance ‘best practices’ are undeniably irrelevant to measure organisational performance; secondly, the possibility “that the practical

application and “operationalisation of theoretical concepts has low face validity”; thirdly, that research conducted on this subject matter that could provide concluding evidence is “generally too narrow”, targeted and aimed at connecting or relating the quality of governing boards or oversight institutions directly to organisational performance, whilst overlooking and potentially discounting other systemic influences; and, fourthly, the recognition that it is not a ‘one size fits all’ approach and “that different types of organisations require different practices in corporate governance”.

Heracleous (2001) argues that the various ‘codes of good (governance) practice’ have been drawn up for companies with ineffective governance systems, inferring that good and effective governance will potentially result in improved yields for investors and shareholders and, by implication, bad or poor governance will give the opposite result. Heracleous (2001:166) makes the point that “research findings have generally failed to support the purported linkage” between the application of such good governance practices in the institution and organisational performance and that “good governance however is no guarantee of superior performance” and potentially even irrelevant. On the contrary, he makes the point that ‘bad governance’ practices may be more directly associated or linked to organisational underperformance, put differently, “good governance may be a qualifier rather than a differentiator”.

Gillies and Morra (1997:77) opt to not question the underlying principle of whether or not good governance results in improved organisational performance purely due to the lack of hypothetical, academic or empirical evidence. They argue that “common sense tells us that there is a relationship between corporate governance and firm performance” and further make the point that “the fact that various empirical macro-studies in corporate governance have been unable to identify it does not mean that this relationship does not exist”.

Rambajan (2011:iii), in her study on the causal relationship between good corporate governance and organisational performance concludes that, notwithstanding the absence of appropriate measurement instruments for the relationship between good corporate governance and organisational performance, statistically, the total results of her study concludes “that the vast majority of board selected variables relating to corporate governance had a positive relationship with company performance”.

Muhamad (2009:ii), when testing the association or connection between good government governance and organisation performance in a case study of the MARA Credit Control Department, used descriptive, correlation, and regression analyses to test the relationship between public sector good governance practices (as independent variables), such as “leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation” and public sector or government performance (as dependent variable), expressed or characterised “by the efficiency and effectiveness, productivity and cost and customer satisfaction” (Muhamad, 2009). The results of the study by Muhamad (2009:ii) support and confirm all the hypotheses suggested for the research, with the results of correlation analyses concluding that “good public sector governance and its dimensions are associated positively with the department performance”. In addition, Muhamad (2009:ii) summarises that the net outcome from the regression analyses concludes “that good public sector governance as a whole has a significant effect on the public sector performance”.

Laurence, E. Lynne Jr., et al. (2000:257), attempted a similar exercise in their work using qualitative data to test the association, connection or relationship between good and effective governance and performance, particularly so in the public sector. They acknowledge the important role of qualitative data in governance research, but conclude that the challenge is to clarify and describe government results, ultimate high level outcomes and the intended impact or government performance in ways that (1) the intuitional configuration, political system and the administration is recognised and appreciated; and (2) allow the recognition of distinct identification of governance configurations and arrangements of public administration and management on intended outcomes, whilst simultaneously directing the other factors that affect the ultimate outcomes and impact. It is about appreciating and taking into account the context of the wider government or public sector system and considering the potential influences of other levels or components on the public sector system. In this research work they developed a ‘logic of governance’ model to demonstrate the variables that impact on performance, but more importantly how variables and sub-components relate and inter-relate with each other, each scenario having the statistical potential of having a different outcome (Laurence, E. Lynne Jr., et al, 2000:244).

There is therefore no conclusive evidence on whether or not a positive relationship or nexus exists between good governance and organisational performance, except to make the point that ‘bad’ or ‘poor’ governance will over time progressively lead to poor organisational performance, poor or no delivery and poor public value creation. The next chapter explores the concept of organisational performance and connects it to the concept of good and effective governance highlighting the indicators and elements of organisational performance. It will also explore some organisational performance models with the aim of making the necessary linkages to good governance indicators as discussed in this chapter.

2.7 CONCLUSION AND SUMMARY

Governance as a concept is not new. It is very complex, highly contested, and has in recent years gained some impetus and a much wider meaning than initially intended. Governance is a useful instrument of public sector management and serves as a measurement of political development and maturity and has become a powerful tool to boost or improve the lawfulness and validity of the state. In addition, governance has also developed into a logical diagnostic framework or approach to comparative politics, across and within nations.

Governance does not have the same meaning as government. Kettl (2002) defines government as “the structure and function of public institutions”, and governance as “the way government gets its job done”. Therefore, governance is concerned with “the process of decision-making and the process by which decisions are implemented or not implemented”. Governance is the manner in which a government exercises political power and control; it is associated with the institutions and structures that are used for exercising power; it advocates that public decision-making processes have to be considered; it infers that the implementation capacity for public sector delivery in a country is of importance; it includes the relation between the government and the public; and it is a multi-faceted concept where the levels and process for various stakeholders can be determined and assessed.

This chapter described the three key dimensions of governance and various contexts within which governance can be used. The three dimensions are: (1) the political

dimension, which is the procedure by which persons in power or authority are elected, selected to serve, monitored, evaluated and held accountable and replaced; (2) the economic dimension, which refers to the activities and processes, including sound policies implementation, by which public sector funds and other resources are efficiently, effectively and economically managed and applied in the execution and delivery of public services; and (3) the institutional dimension, which is the process and procedure by which people, communities, citizens and government institutions itself respect the social order and other public institutions.

The chapter also covered the various contexts within which governance can be used, including “as international governance, corporate governance, national governance and local governance”. In addition, the chapter discussed seven uses of the term governance, i.e. governance as the minimal state; as corporate governance; new public management; as ‘good governance’; as a socio-cybernetic system; as self-organizing networks; international networks and international interdependences. The concept of governance is central to community and people development and to the performance of the state as the intuitional mechanism that gives effect to developmental local government. It therefore cannot be ignored by local government.

The focus of the chapter, however, is on unpacking the concept of ‘good governance’ as a system of governance and the role of various stakeholders (such as government, communities, non-government organisations and citizens) in enhancing good governance practices with the aim of enhancing service delivery and impact. Given the various nuances and definitions highlighted in this chapter, the one description that is all encompassing is by the ADB (1994:177). The ADB (1994:177) uses six elements to describe ‘good governance’ as a normative concept of governance as:

1. “Legitimacy of the government (based on popular sovereignty and international recognition);
2. An appropriate legal framework (to guarantee the rule of law);
3. Popular participation (to allow decision-making by the people at all levels of the state, and on the basis of political and social pluralism);
4. Freedom of association and expression (to allow the formation of civil society organisations, and a critical evaluation of government decisions);

5. Bureaucratic accountability and transparency (so that impersonality in decision-making, and a uniform application of rules, by officials can be guaranteed); and
6. Rationality of the governmental organisational structures (incorporating a public administration system that is highly structured and characterised by impersonality and a predictable behaviour of officials)".

Good governance is underpinned by principles or characteristics that include sincere and comprehensive public involvement and participation that is inclusive of all people (citizens), accountability, ethical leadership and conduct, responsiveness, transparency, democracy, access to information and applying the rule of law (without fear or favour). As highlighted by Schwella, et al. (2015:27), the fundamental characteristics of good governance are that they are interrelated, interconnected and equally reinforcing. Schwella, et al. (2015) emphasises that they, i.e. each of the characteristics, cannot stand on their own.

According to Mandal and Gupta (2015), good governance implies that those in power or authority should work to broadly achieve the main or chief purpose, i.e. for the good and benefit of the people being governed. In their work, they connect to the work done by various other authors on the subject and in the process identify eight major characteristics of good governance, namely that good governance is "participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law" (Mandal and Gupta, 2015).

Mandal and Gupta (2015) make the point that governance "ensures that corruption is minimized and takes cognizance of the societal views of minorities and the most vulnerable in decision-making to ensure peace, security and prosperity of the people" and that the institution remains "responsive to the present and future needs of society". Good governance necessitates full protection of all human rights, unbiased implementation of laws, a fair and impartial independent legal system and judiciary and an independent, objective and honourable incorruptible police protection service. The community, citizen and people contribution, involvement and participation that is organised and informed by both men and women, is a significant building block of effective good governance, either directly with people or communities or through

authentic transitional organisations or elected public office bearers (councillors). Mandal and Gupta (2015) emphasises that good governance promotes “freedom of association and expression on the one hand and an organized civil society on the other hand”.

Transparency implies that decisions are made by consensual agreement and within the limits of recognised and accepted legal and structural frameworks and that information is easily available and directly reachable to those who need it. Accessibility, as a good governance principle, requires that institutions and processes try to serve all stakeholders within a reasonable time framework.

There are no absolutes and these principles are inter-related – they often overlap and may be conflicting at times, depending on how they are implemented in practice in accordance with the social context. However, they do help to improve the understanding of good governance.

In order to be successful, local government will have to embrace these principles in all activities, particularly by allowing for open and transparent, democratic and accountable management of public administration underpinned by the rule of law. The absence of this will inevitably result in ‘bad or poor governance’, making the environment fertile for corruption and other unethical conduct that will pose a threat to service delivery and to the achievement of the development objectives of local government. According to Prinsloo (2013:3), “power and authority abuse, dishonesty, fraud and violation of the legal systems are factors causing good governments to fail”.

The study of governance opens up a new intellectual space and opens one’s mind to the possibilities provided by this concept, particularly the role of local government in coping with public issues and recognising the much stronger role and contribution of other role-players, societal groups, communities and the voluntary NGO sector in responsibly exercising their respective and legitimate ‘power’ in addressing and finding joint solutions for the many developmental challenges and problems in communities.

What is clear is that applying the principles of good governance is an ideal – it is a ‘means’ and not an ‘end’ in itself. It is acknowledged that it is very difficult to achieve good governance in totality, whether as a country, society or government. However, to guarantee sustainable socio-economic and human development and institutional

performance, strong actions must be taken to steadily work towards the ultimate and desired ideal, with the main aim of making the desired levels of human development and service delivery a reality.

In conclusion, this researcher agrees with Rosenau (1992) and Lynn, et al. (2001) that all “types of governance share one important common feature, they are all based on the ‘rule of law’, which defines rights and responsibilities of members facing common problems”, not centralised order or control, but voluntary compliance by all. Good and effective governance necessitates that governance provide a framework for effective and ethical execution of service delivery requirements and therefore “governments and governance institutions should aspire to govern well and govern good”.

CHAPTER 3: ORGANISATIONAL PERFORMANCE- KEY CONCEPTS, THEORETICAL FRAMEWORKS AND MODELS

3.1 INTRODUCTION

The aim of this chapter is to define organisational performance, its dimensions, some of the key concepts relevant to the subject, as well as various organisational performance models and theoretical frameworks, performance measures and measurement instruments, with a particular focus on the public sector. The chapter explores the context, reasons and root causes for organisational performance failures, particularly from the viewpoints of key external institutions reporting and monitoring performance of the local government sector. The chapter concludes with an exploration of the characteristics of highly successful organisations (including municipalities). This will inform the approach of the researcher when compiling a municipal performance and governance framework, which will be addressed in subsequent chapters. The chapter includes some key points to address performance failures in local government, including some indicators that will provide reliable and valid results to enable proper decision making, corrective actions and resource mobilisation and (re-)allocation, where required to allow municipalities to perform their service delivery obligations and objectives.

The chapter asserts that organisations can over time strategically or better use performance management to provide feedback on their performance and to assess how well they are doing in relation to others. This chapter explores organisational performance at a conceptual and operational level, which includes key indicators that enable success or trigger possible failure. , The relevance of organisational performance, as a concept, to the management of performance of individuals and performance management systems and theories is an integral part of overall organisational performance.

On the literature reviewed by the researcher, some contradictions and approaches to the subject were found, particularly in defining key concepts and measures. Hamman, et al. (2013) make the same point, indicating that every time “existing literature on the effect of management methods on organisational performance” is reviewed, it is very

difficult to compare results across the various studies given the contradictions between them “mostly caused by different concepts and measurement approaches of organisational performance”. In some cases, this contradiction is also true for local government, particularly as it relates to performance measurement.

This chapter endeavours to clarify some of these concepts and misunderstandings, and will attempt to show how performance management relates to assessing local government performance (public sector). The development of verifiable and validated indicators to assess performance and appropriate corrective action is considered vital for assessing the success or failure of organisations. It therefore, as in the case of local government, requires understanding what the organisation aims to achieve (outcome), what needs to be done or delivered (outputs) to achieve the aims and what will be required (inputs from an institutional perspective). Differently put, a clear understanding is required on the service delivery drivers for local government.

This chapter considers a set of appropriate indicators that measure the successful achievement of key activities or actions, or those realistically influenced in pursuit of local government outcomes and objectives over time. These indicators, gleaned from the Constitution and various local government legislative and policy directions, will be used to construct the local government performance and governance model for local government sustainability, which is presented in Chapter 6 of this dissertation.

3.2 DEFINING ORGANISATIONAL PERFORMANCE: KEY CONCEPTS AND DEFINITIONS

Clarifying the concept of ‘organisational performance’ requires an understanding of how the various sub-components of the concept are defined. The concepts of (1) ‘organisation’ and (2) ‘performance’, can be further broken down into individual (employee) performance or that by a collection of people (team or organisation). Defining performance is important because failure to do so can lead to the absence of performance planning and measurement, and in turn prevent individual or organisational improvement. Equally important is to understand the various levels and components of performance, particularly those affiliated with the culture of being a ‘high performance’ organisation (HPO).

3.2.1 Organisation

When considering several leading texts on organisational theory, particularly on determining a definition of the term or concept of 'organisation', it becomes clear that there is a general lack of consensus by various authors over the meaning of the word. Many authors approach the conceptualisation of the concept from different angles and, in doing so, they provide important insight into its different components and application possibilities. Jaffee (2001) makes the point that "it would be nonsensical to simply ignore the efforts or try to develop definitions as if they never existed" as one would find "hundreds, maybe thousands, of these definitions in books on organisation and management theory". Jaffee (2001) further acknowledges the work that has gone into defining and conceptualising 'organisation', making the point that "no single or concise definition can hope to encapsulate all of the different analytical angles" from which one can define the concept because of the complex nature of the object of study and the multiple perspectives that inform organisational analysis. The various definitions and approaches set out below by various authors demonstrate a general lack of consensus on a universal definition of the concept.

Social structure is identified by W. Richard Scott, in Jaffee (2001), as one of the key elements in defining the concept of organisation. He contends that social structure consists of both formal structures (e.g. documents, job descriptions and charts) and informal structures (created by individuals within organisations); "participants are the humans" or "people the organisation"; goals "are the conceptions of desired ends"; technology is used to transform the raw materials and "environment refers to all things outside" the boundaries that either shape or influence the organisation (Jaffee, 2001).

In defining an 'organisation', Hall (1999:30, cited by Jaffee, 2001) provides this comprehensive definition: "an organisation is a collectivity with relatively identifiable boundary, a normative order (rules), ranks of authority (hierarchy), communications system and membership coordinating systems (procedures); this collectively exists on a relatively continuous basis in an environment and engages in activities that are usually related to a set of goals; the activities have outcomes for organisational members, the organisation itself, and for society".

This definition by Hall (1999:30, cited by Jaffee, 2001) accommodates three interlinked concepts. The first relates to structure and includes elements that have hierarchy, coordination, norms and standards communication and the scope or boundaries. The second component encompasses processes aimed at reaching organisational goals; while the third may be the result of the members, structure of the organisation and greater society (Jaffee, 2001).

Lawley, J (2001), makes the point that Morgan, G (1997), in his contribution to organisation theory, uses metaphors, images and mental models to define, understand and conceptualise organisations (shape and feature). Some of the most common metaphors view organisations as machines (tools or instruments), organisms (akin to living things), brains, culture, a political system, psychic prisons or instruments of domination. The following definitions, taken from Jaffee (2001), embody this metaphoric approach. For example, Jones (1997:4) makes the point that “an organisation is a *tool* used by people to coordinate their actions to obtain something they desire”, whereas Bedeian (1984:2) indicates that “there does appear to be some agreement about the fact that organisations generally develop as *instruments* for attaining specific goals”. Pfeffer and Salancik (1978:2) state that “the key to *organisational survival* is the ability to acquire and maintain resources”, while Cyert and March (1992) succinctly explain that “organisations *make decisions* ... in the same sense individuals do”.

Leavitt and March (1962) asserts that an organisation consists of individuals or groups performing specific and often differentiated activities with a particular technique or method. Katz, et al. (1978) define systems, which may comprise of sub-systems to include continuity through time, and goal-oriented individuals or groups with differentiated activities and purposes. The Business Dictionary (2018) defines an organisation as a managed social unit, established to meet common objectives in which there is a relationship amongst members; and clear rank with demarcated responsibilities.

Lansburgh and Spriegel (1947, in Dwivedi, 1995:5) agree with the above, asserting that the relationship and clarity of the contribution of individuals to the purpose of the organisation for which they have been brought together is often less clearly defined, and that the maxim, ‘the whole must be greater than the sum of the parts’ often applies.

Allen (1958:52) defines 'organisation' as "the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for enabling people to work most effectively together in accomplishing objectives". According to Business Management Ideas (BMI) (2018), Koontz and O'Donnell, in their work on 'Principles of Management', see it as the "establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure". These authors ascribe that organisations have a role in coordinating individual contributions to achieve organisational goals and these activities are based on clearly demarcated authority and work to be performed.

BMI (2018) acknowledges Terry's (1960) note that for organisations to efficiently coordinate activities, perform operations and achieve objectives, requires an authority relationship amongst the work to be performed, the relationship between the individuals performing them and the organisations that they represent. Sheldon (1923, cited by BMI, 2018) highlights that the most efficient and effective ways of achieving organisational objectives are to link the efforts of the work that needs to be performed to individuals and workgroups doing it; appropriate work processes; and the facilities used. Organisations can contribute to efficient resource use (factors of production) through a systems approach and the segregation of work processes and duties amongst individuals and groups in the organisation.

Management has a role to play to aggregate a number of business activities in pursuit of achieving business objectives. According to Venkatesh (2018), "organisation as a structure in the words of Professor Wheeler ... is the structural framework of duties and responsibilities required of personal in performing various functions within the company. It is the blue-prints, a mechanism". It can be achieved through the utilisation of the internal construct. It requires organisations to apply a structural framework or framework of delegations to an organisation. This framework assigns particular functions to individuals and groups within an organisation. BMI (2018) highlights that in "Wheeler's view organisation as a process of fixing duties and responsibilities of persons in an enterprise so that business goals are achieved". In line with this, Terry (1960, according to BMI, 2018) defines 'organising' (as a verb) to mean the "establishing of effective authority relationships among selected work, persons, and work places in order for the group to work together efficiently".

In defining the term organisation, two concepts emerge: static and dynamic. The first highlights the relationship between: the structure of the entity, work to be performed, as well as individuals or groups and their positions within the organisation at a given time. The emphasis in the static concept is on the organisation.

The second concept considers the organisation as an adaptive (or dynamic) open system, focusing on the process of determining, arranging, scheduling and assigning tasks to be performed in the interest of achieving the organisation's objectives. Renkatesh (2018) submits that this "dynamic concept lays emphasis on individuals and considers organisation as a continuous process".

Conrad and Poole (2002:24) highlight that organisations could be defined as individuals and groups that are required to interpret complex interpersonal and work-related messages from within and across the environment within which they operate to achieve multiple goals. They further contend that the environment in which organisations function will affect their systems, outcomes and outputs so as to achieve the norms of the bigger system in which they function (Conrad and Poole, 2002).

The researcher supports the statement that municipalities fall within the definition of an organisation, and therefore can be considered together with all role-players, such as communities, politicians, legislature, academia, business partners and service providers.

A system is defined as a set of interrelated parts that have been brought together to achieve a desired outcome. According to Harvey and Brown (1996:36, cited in Henkins, 2002:22), a system has the following attributes:

- "A system must be designed to accomplish an objective;
- The elements of a system must have well established arrangements;
- Interrelationships must exist amongst the individual elements of a system;
- The basic ingredients of a process (the flows of information, energy and materials) are more important than the basic elements of the system; and
- The objectives of the organisation are more important than the objectives of individual elements".

The input-output model suggested by Henkins (2002:22) shows the relationship between inputs and outputs. It explains that inputs are the basic building blocks and, if applied through processes, activity functions can result in outputs and services produced by an organisation. This links to the business model of municipalities. Henkins (2002) explains the concept using a simple input-output systems diagram, as set out in Figure 3.1 below.

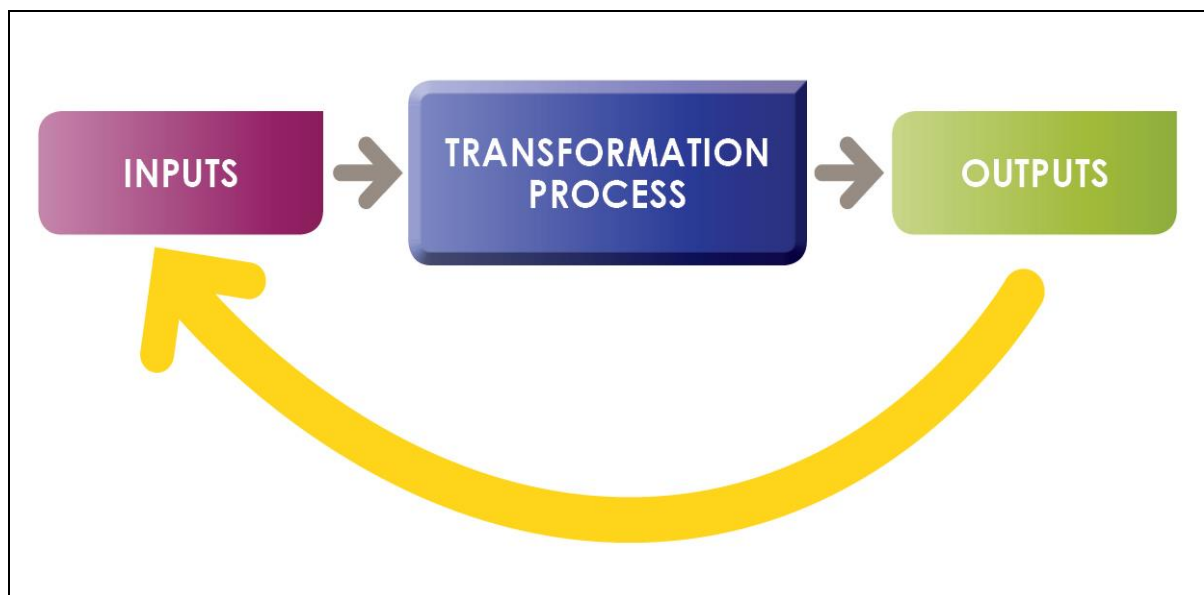


Figure 3.1: A Simple Organisation Systems Diagram

Source: Henkins (2002:22).

Henkins (2002) makes the point that “the flow of inputs and outputs is a basic starting point in the description of an organisation as a system”, and understanding the configuration and workings of the system. Henkins (2002) also asserts:

- “Inputs are the resources that are applied to the processing function.
- Processes are the activities and functions that are performed to produce goods and services.
- Outputs are the products and services produced by the organisation”.

Harvey, et al. (1996:37, in Henkins, 2002:23) argue that organisations are socio-technical systems that function in harmony with other elements in an ever-changing environment, and that influence and are influenced by the environment within which

they operate. They also highlight that there is a relationship between the work that needs to be done and those doing it in organisations so as to produce outputs for the larger environment from resources acquired from the outside environment (Harvey, et al., 1996:37, in Henkins, 2002:23).

3.2.2 Performance

'Performance', as noun in the context of this study similarly performs a task or function that relates to achievement or satisfaction of completion. According to Elger (2018:11), to perform (as a verb) is to take a complex series of actions "that integrate skills and knowledge to produce a valuable result" (performer as an individual or organisation).

The Business Dictionary (2018) offers the following definition of performance: "the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract, or in short, the completion of a task with application of knowledge, skills and abilities".

Laitinen (2002) considers performance to be the capability of an entity "to produce results in a dimension determined a priori", in comparison to a goal. For performance to exist, the following three dimensions are required, namely "*an object* whose performance is to be considered; second *a dimension* in which one is interested; and, third a *set target* for the result". Orelli, et al. (2010:458) cite Bovaird's (1996) description of performance as a compendium of data and information that describes achievement and variable relevance to different role players. They also highlight that performance can be classified according to inputs, processes, outputs and outcomes.

Bates and Holton (in Armstrong, et al., 2000:15 and Armstrong, 2000:3) agree that "performance is not a one-dimensional construct, but performance is a multi-dimensional construct concerning both outcomes and behaviour", the "measurement of which varies depending on a variety of factors". Armstrong (2000) however cautions "that it is important to determine whether measurement objectives" are targeted at outcomes or behaviour. He advises that performance is not only based on whether the

work has been done but also as to how the results have been obtained, which finds direct application in local government (Armstrong, 2000).

This approach by Armstrong resonates with that of Robbins (1990:51), who asserts that process (work) and outcomes (results) are both considerations in determining the performance of an organisation. Rothwell (1994:26), however, disagrees and emphasises that performance means an achievement of “outcomes rather than behaviours” and further that “performance means something performed, an accomplishment ... is synonymous with outcomes, results, or accomplishments” and should therefore “not be confused with behaviours, work activities, duties, responsibilities, or competencies”.

The authors Lebars and Euske (2006:71, in Gavrea, Ilieş & Stegorean, 2011:287) define a number of related definitions in support of organisational performance. Key is that it provides a set of both financial and non-financial indicators that provide information on the achievements of objectives and results (Lebars and Euske, 2006, Kaplan and Norton, 1992). They further assert that understanding performance and how it relates to each area of responsibility requires the quantification of results to be achieved in a changing environment; performance affects change and could be used as a mechanism to describe how current actions or activities may affect future performance. They highlight that understanding performance of an organisation is variable and open to subjectivity on who is judging the performance (either from within or outside) of the organisation (Lebars and Euske, 2006).

Langdon (2000:12) defines ‘performance’ as a dynamic concept of doing, changing inputs into outputs, managing the environment in which these are done and reporting on the results thereof. He proposes a model in which this can be achieved. In his model he defines the outputs as the products, service or knowledge at organisational or individual levels. These outputs contribute to consequences for future outputs, which may include, for example, increased work satisfaction or reduction in the number of performance output measurements (for example the reduction in the number of fires for a fire services function). The two elements mentioned earlier are as a result of the application of inputs, which are transformed through processes into outputs, noting that outputs precede the consequence element of the proposed model. The fourth element of the model highlights the mechanism and how inputs are

transformed into outputs and shaped by the organisation, its competitors, customers, regulators and the like. The model also proposes a set of process elements to transform inputs into outputs and a feedback loop to assess and report on whether the desired objectives have been achieved. This Langdon model is set out in Figure 3.2 below.

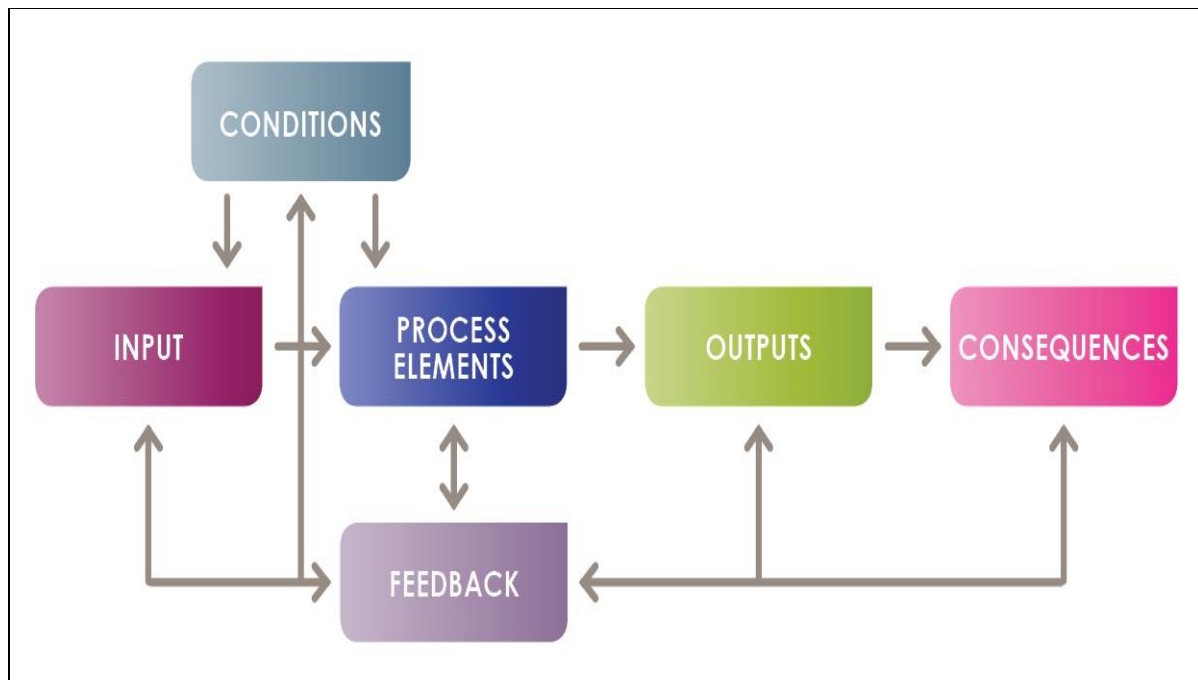


Figure 3.2: The Langdon Performance Model

Source: Langdon (2000:12).

The Langdon model (Langdon, 2000) represents a systems approach to performance management and will be further explored in subsequent sections on organisational effectiveness, performance measurement and management. Orelli, et al. (2010:459) highlight that performance in the public sector as an organisation includes political and individual employee levels.

This research has its focus on the performance of the public sector and considers the performance of a municipality as an organisation within the local government sphere. It will assess both organisational and individual employee performance.

3.2.3 Employee (Individual) Performance

Organisational achievements are linked to how well individual employees perform the tasks assigned to them at an organisation. According to the Business Dictionary (2018), this assessment of how well individuals within an organisation have performed their tasks is defined as employee performance.

Organisations often review employee performance periodically (quarterly, bi-annually or annually) and use results to recalibrate and implement improvement measures. These individual performance reviews often include aspects of leadership, prioritisation, as well as the successful completion of tasks according to specifications and deadlines.

Newstrom and Davis (1993:17, in Schierschmidt, 2002:23) highlights that an individual's "performance is a function of both ability and motivation". They further argue that the potential human performance determined in an organisation is dependent on the resources at their disposal and the opportunity to obtain the organisational achievements.

Schierschmidt (2002:23) adapts an equation from Newstrom and Davis (1997:17), which highlights that potential human performance in an organisation represents an interaction and is dependent on the knowledge and skill of the individual employee, as well as their motivation or attitude within a given situation. The equation considers potential human performance, resources and opportunity, as inputs to achieve organisational results. The approach taken to include individual employee attitudes as a contributor to organisational performance dismisses the views expressed by Rothwell (1994) that "Performance should thus not be confused with behaviours, work activities, duties, responsibilities, or competencies".

Vroom (1964, in Shoraj & Shyqyri, 2015) highlights in their expectance theory that performance is the mathematical "result of multiplying skills with motivation" as per the linear "equation: $\text{Performance} = \text{Skills} \times \text{Motivation}$ ". Vroom's equation is expanded by Campbell and Pritchard (1976) as follows:

"Performance = f (Skill capability x Skill level x understanding the duty x selection to make the effort x selection to continue x mitigating and aggravating conditions beyond the individual's control)".

To satisfy the above equation requires that individuals have at least four variables, which include: knowledge to understand the expectations; skills to do what is expected; requisite motivation to do what is required; and work environment in which their actions can be translated into behaviours.

Schierschmidt (2002:23) adapted the work of Newstrom and Davis (1993:17) and developed a different equation that measures *organisational* performance as follows:

“Knowledge x Skill = Ability; Attitude x Situation = Motivation; Ability x Motivation = Potential Human Performance; Potential Performance x Resources x Opportunity = Organisational results [or organisational performance”.

This mathematical construct/equation illustrates that the motivation of individual employees within the public sector could be a key driver of organisational performance within the public sector. Therefore, individual performance measures both behaviours and results (outcomes). Armstrong (2000:3) highlights that “behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results”.

Performance management of individuals and/or teams in an organisation therefore require an assessment of “both inputs (behaviour) and outputs (results)”. Schierschmidt (2002:24) terms such an approach as a “mixed model of performance management”, and includes employee’s “competence or capability levels”, results measurement and monitoring, target setting and review.

3.2.4 Organisational Performance

This research has its focus on the performance of an organisation and considers the actual achievements of results (goals and objectives) against the targets that an organisation has set for itself. The Business Dictionary (2018) defines “organisational performance as an analysis of a company’s performance as compared to goals and objectives”. Corporate organisations analyse three primary outcomes as a measurement for organisational performance, namely “financial performance, market performance and shareholder value” performance.

Richard, et al. (2009) align with this definition, adding minor nuancing to suggest that the performance of an organisation includes “(1) financial performance (profits, return on assets, return on investment, etc.); (2) product market performance (sales, market share, etc.); and (3) shareholder return (total shareholder return, economic value added, etc.)”. The applicability of these definitions for organisational performance is chiefly geared towards defining private sector organisational performance. Despite countless academic literature and documentation on the concept of organisational performance, universal agreement on the construct of this concept remains evasive.

Gavrea, et al. (2011:287) explain that Georgopoulos and Tannenbaum (1957:535) believed that organisational performance should be interpreted as how well organisations performed as social systems. They further highlight that organisational performance in the 1950s focused on organisational structure, work and people.

In subsequent decades (the 1960s and 1970s), Yuchtman and Seashore (1967:379) explored new ways of measuring organisational performance to include the ability of organisations to compete for limited resources and exploit their operational environments. The 1980’s debate on organisational performance noted that organisational performance is more complex than whether an organisation has achieved its stated goals and objectives. Lusthaus and Adrien (1998, citing Campbell, 1970, in Gavrea, et al., 2011:287) define organisational performance as including meeting stated goals and objectives (effectiveness) within the constraints of limited resources (efficiency). Within this context, profit became a key indicator of organisational performance.

Within the public sector, Cloete (2003:10) argues that many public sector reforms introduced in South Africa post-1994 focus on making the shift “from being input- and resource-focused administration to output- and result-based public service”. This paradigm shift includes emphasis on outcomes or impact of the service delivery.

Public sector performance, as expressed by Pauw, et al. (2009:202), includes terms such as economy, effectiveness, efficiency and appropriateness. In his theory, Pauw defines economy to include the “relationship between quantity, quality of resource inputs and its related costs” (Pauw, et al., 2009). He also defines efficiency to include “the relationship between resource inputs and outputs”, whilst “effectiveness is

measured by the extent to which planned outputs”, and the outcomes have the desired impact on communities (Pauw, et al., 2009).

Public service delivery in the ‘new public service era’ is characterised by a re-organisation of the public sector; governments that are more responsive to citizen needs and where criteria for performance or service delivery effectiveness and efficiency of government programmes exist and are measured. This paradigm, according to Hazlett and Hill (2003:446) and Cordella and Bonina (2012:512), and cited by Ndlovu (2015:2), includes a transformational management approach aimed at the achievement of results, policy development, integrated coordination and services across partners.

According to Lips (1998:329), for any “organisation to collect appropriate information that is useful to account to its stakeholders and improve its performance, it is essential to set the right performance objectives, indicators and targets”, which underpin the new public management (NPM) approach. Combs, Crook and Shook (2005:261, cited by Hamann, et al. 2013:7) highlight that when considering organisational performance, care should be taken not to confuse operational with organisational performance. Operational performance, according to their framework, includes “all non-financial outcomes” of an organisation, whilst the “conceptual domain of organisational performance” is only concerned with the economic results. This view excludes the “impact of the environment on the economic” or non-financial performance on an organisation (Hamann, et al., 2013). They further motivate that many assessments of organisational performances, basing their research on performance against economic indicators, are the same as measuring and reporting against corporate financial or economic performance (Murphy, et al., 1996; Richard, et al., 2009, Fryxell & Barton, 1990, cited by Hamann, et al., 2013).

Given the above definition by Hamann, et al. (2013), the researcher is of the view that the definition is limited as it only considers economic outcomes, and should thus be broadened. In arriving at a holistic definition, consideration should also be given to behavioural outcomes, as organisations include people, strategies, processes and often physical infrastructure. In support of the inclusion of additional elements to adequately define organisational performance, attention is drawn to anecdotes where companies failed not because of economic (financial) difficulties but rather because of

the character of its staff. This may also be due to changing management models; the way in which people and organisations do their work; and the expectation of stakeholders. Given the aforementioned analysis, it is clear that a multidimensional lens is required to grasp the concept 'organisational performance', particularly within the public sector.

In defining organisational performance in the industrial age, Fontannaz and Oosthuizen (2007:11) suggest that this simply implies meeting the performance expectations of the dominant stakeholder or shareholder. Kotter and Heskett (1992, in Kirby, 2005:30-39 and cited by Fontannaz & Oosthuizen, 2007) define organisational performance as including annual net income growth; average return on capital investment; and appreciation or increase in the stock price. Zook (2001, in Kirby, 2005:30-39) focuses on a similar combination and include this in their assessment of organisational performance: those organisations that have shown revenue and profit growth to shareholders and achieved shareholder returns in excess to the cost of capital

In the industrial economy, the key driver for organisational performance was the ability to gain access to financial capital. This criterion is no longer sufficient for the current networked economy, which may include the satisfaction of a range of stakeholder requirements (Kolk, van der Veen, Pinkse & Fortanier, 2005, cited by Fontannaz & Oosthuizen 2007:11). The triple bottom line (economic, social and environmental) assessment of an organisation's performance has been a further attempt to measure an organisation's performance beyond performance based merely on financial indicators. Performance across the three dimensions of the triple bottom line is subject to measurement, reporting and auditing (Fontannaz & Oosthuizen (2007:11, citing Neely & Adams, 2007).

Kirby (2005:30-39, in Fontannaz & Oosthuizen, 2007:11) acknowledges that organisational performance or approximations of organisational performance from a multi-stakeholder perspective is often challenged if organisational performance frameworks that include intuitive measures are not supported by profitability of financial indicators of performance.

The operational performance (non-financial indicators) of a municipality mainly deal with the input-output relationship (inputs being financial or human resources, amongst others), whilst organisational performance includes and focuses on the output-

outcome relationship, which runs over a longer period. Research, analysis and various reports indicate that municipal performance failures are not exclusively based on financial performance. Municipal performance failures show underperformance on pre-determined objectives (non-financial outputs), as well as financial indicators. This is attributed to factors or weaknesses within the organisation, as well as from its external environment.

An in-depth understanding of municipal performance requires careful consideration of the legislative and policy environments; quantitative and qualitative nature of the services and resources available; quality and standard of services to be provided; the relevant department within the municipality tasked to perform the activities; and the external environment impacting the municipality.

Van der Merwe, (1992:113) sums up municipal performance appropriately as follows:

“Governmental institutions face a complicated web of relationships; they have a large number of different client groups; there are many influences to take into account in decision-making; they are subject to all sorts of policies, procedures, rules and regulations in the areas of financial management and personnel management and administration; the bottom line of profit does not exist; financial performance and the impact of service on the general welfare of the people ... difficult to assess; policy objectives are generally vague and shift with changes in the political environment.”

In summary, in pursuit of an organisation's vision, mission and values, consideration needs to be given to applying an integrated and systematic approach to delivery of public services. This approach is referred to as ‘performance management’ and ‘performance measurement’, which will be discussed in Sections 3.2.6 and 3.4 respectively.

3.2.5 Organisational Effectiveness

A myriad of theories on organisational performance recognise the relationship between organisational effectiveness and organisational performance (Martins & Coetzee, 2009:145-144, citing Baruch & Ramalho, 2006; Lee & Brower, 2006). Despite the vastly “diverse approaches to describe organisational effectiveness”,

many of the theories, according to Henkins (2002:20), have combined elements such as the goal, competing values and systems approaches.

A critique of the value of the goal approach lies with the targeted information it provides in relation to a specific indicator and organisation that has achieved it. This limits a comparison of the effectiveness and performance across functional units or organisations (Spangenberg & Theron, 2004:20).

The systems approach provides for the separation, division and integration of units and processes across different sub-systems within an organisation, mainly aimed at improving accountability, transparency and results. This approach focuses on the processes that convert inputs into outputs within the confines of a business unit, as well as on the maintenance of systems (Seashore, 1983, cited in Spangenberg & Theron, 2004:20).

Quinn and Rohrbaugh (1983), in their systems model on organisational effectiveness, highlight that a system should be defined with all of its attributes as these may impact on the way organisations maintain, adapt and transform processes within the organisation and its environment. Denison (1990) notes that the key outcomes of the systems model relate to stability, maintenance, growth and/or decline. Eccles (1991, in Spangenberg & Theron, 2004:20) makes the point that the systemic, integrated and adaptive approaches to organisational effectiveness require a diverse set of financial and non-financial indicators or performance measures.

According to Gibson, et al. (1991, in Spangenberg & Theron, 2004:21), time is considered a key element in the systems approach on organisational effectiveness as the organisation is part of the broader environment from which it takes and eventually returns resources. Sustainability is considered a key element of the environment within which businesses operate and succeed. The time-dimension model takes account of the effectiveness of the financial and non-financial measures criteria, which are defined over the short and long term.

French and Bell (1999) highlight that organisational performance includes effectiveness and efficiency measures that track whether organisations are able to achieve their objectives with “minimum expenditure of energy, time, money, human and material resources” without substantive waste. According to the Business

Dictionary (2018) and Pedraza (2014), organisational performance is not an exact science because most of the models that have been developed to measure organisational performance vary in constituency components and relative priorities, which makes comparatives difficult. To obtain a relatively accurate picture of an organisation's performance requires a 'big picture' view of the organisational effectiveness and efficiencies and a clear set of criteria that are to be used to measure financial and non-financial performance.

However, it is agreed that measuring organisational effectiveness is important as it provides a mechanism to track organisational well-being and make recommendations for actions to improve internal processes, achieve the organisation's vision and provide confidence to shareholders and respond to the environment within which the organisation operates.

Henkin (2002:20), citing 'In Search of Excellence' by Tom Peters and Robert Waterman (1982), highlights the following "eight features of effective and excellent companies:

- A bias for action and achieving goals;
- Remaining close to customers to better understand their needs;
- Granting employees a high degree of autonomy and fostering an entrepreneurial spirit;
- Increasing productivity through employee participation;
- Ensuring that employees know what the company stands for and managers are involved in problem solving at all levels;
- Remaining with the business they know and understand;
- Organisational structures that are simple and contain a minimum number of support staff; and
- Mixing tight centralised controls for protecting the company's core values with loose controls elsewhere to encourage risk taking and innovation".

Critique of Peters and Waterman (1982) support what was mentioned earlier: that there is no universal method of measuring organisational performance nor an exact definition of "what constitutes an effective organisation" (Robbins, 1990:49; Gibson, et

al., 1985:29). Henkins (2002:20) highlights that organisational performance is dependent on a number of activities that require assessment.

The SixSigma (2018) approach to organisational effectiveness considers the ingredients for effective organisations to include as leadership, delivery, performance, measurement, accountability and communication. This approach requires leadership to set the vision and strategy to achieve the goals and objectives for organisations, and to communicate. To deliver on the purpose of the organisation, the recruitment of adequately qualified staff with appropriate knowledge and skill is required. Staff within the organisation is required to deliver on the vision and produce goods and services to customers or clients. Understanding and streamlining processes, as well as simplifying and reducing errors to derive customer satisfaction is important. Communication of the organisation's aspirations and goals, as well as processes and progress towards achieving them, is important.

Robbins (1990:51) highlights that assessing organisational effectiveness should be part of organisational strategy; is dependent on a well-executed diagnostic, which takes into account multiple criteria; and is focussed on organisational processes (as a means) and achievements (as ends). Martins and Coetzee (2009:144, citing Cummings & Worley, 2005; French & Bell, 1999) note that a broad organisation management strategy must include an assessment of organisational performance supported by a well-planned and executed diagnostic of processes and outcomes to recommend improvements to the overall system management. Measuring organisational performance will be explored later in this chapter.

3.2.6 Performance Management

Addams and Embley (1998, in Spangenberg, 1994:1) link individual staff performance appraisal to strategic planning of an organisation, whilst Bowman and Jarrett (1996:2) note that the management of an organisation should ensure that resources (facilities, equipment, funds and time) are optimally used and that employee potential and performance are maximised.

Management is about planning, leading, control and execution. According to Curtis (1999:263), "[p]erformance management is an approach to management which

harnesses the endeavours of individual managers and workers to an organisation's strategic goal". Performance management is viewed more broadly as a pattern of thinking in changing economic, social, technological and political, environment and that performance management in such environments can also be a toolbox of techniques to deal with managing these.

According to Rogers (1999:2, in Schiersmidt, 2002:27), in the more comprehensive context and approach, "performance management is not just a process for ensuring those public service organisations and their employees are well placed to produce the performance that society requires of them. It is also part of the process by which performance itself is defined, by which criteria of performance are established and by which societal, political and managerial judgements are made of those who are performing. Performance management does not only create the performance required of local authorities – it also ensures that local authorities are well enough managed to produce the required performance".

Performance management, according to Rogers (1999:3), includes the management of objectives, accountability, numbers and appraisals (reward or punishment). Spangenberg (1994:1, citing Bevan & Thompson, 1991) points out that performance management includes a shared vision, how the organisation will achieve its mission, and communication of this to all staff. They also highlight performance management targets and the contribution of the unit, and overall organisation, to these.

The review of performance includes progress towards achieving targets and the identification of corrective action, be it staff training, development or rewards and clear communication on future expectations and performance standards. The contextual circumstances of an organisation, as is the case of municipalities, are important considerations when organisational performance is considered.

Performance management is often erroneously or misguidedly confused with performance appraisal. Notwithstanding this confusion, 'performance management' includes various mechanisms, processes and programmes to manage the performance of organisations, departments, business units and individuals, whilst the term 'performance appraisal' refers to the act of judging or evaluating how an individual employee has performed against agreed objectives, over a pre-determined period

within an organisation. Performance appraisal therefore constitutes only a component of performance management.

Performance management is used to communicate to employees how they have progressed in meeting agreed objectives and to institute corrective action in cases where there may be a variance between what has been set and achieved. The activity of performance management is executed by the supervisors of staff over a pre-determined performance period within organisations. The consequences of these performance management exercises are used to chart interventions and capacity-building programmes to address shortcomings within the individual staff member to achieve the set objectives; award bonuses and salary increases based on evidence; conclude on performance rewards for excellent work performance; or to provide a basis upward mobility or promotional transfers within an organisation.

Van der Merwe (1992) makes the point that in the public sector there are many internal and external environmental influences that impact on organisational performance. However, these influences impede the use of simplistic formulae and techniques to assess good management or performance.

This view is supported by Schierschmidt (2002:28), who believes “that any general assessment or review of the performance of an individual government department is an extremely complex matter which requires careful and balanced quantitative and qualitative judgements, based on detailed information about the resources at its disposal in relation to all the services delivered by the department concerned, as well as all its activities in the policy and legislative fields”. It can therefore be concluded, that for any assessment of organisational appraisal or staff definitions need to be expanded to include the impact of the internal and external environments within which the organisation operates.

Figure 3.3 below (the van der Merwe model) demonstrates the various relationships between external and internal environments.

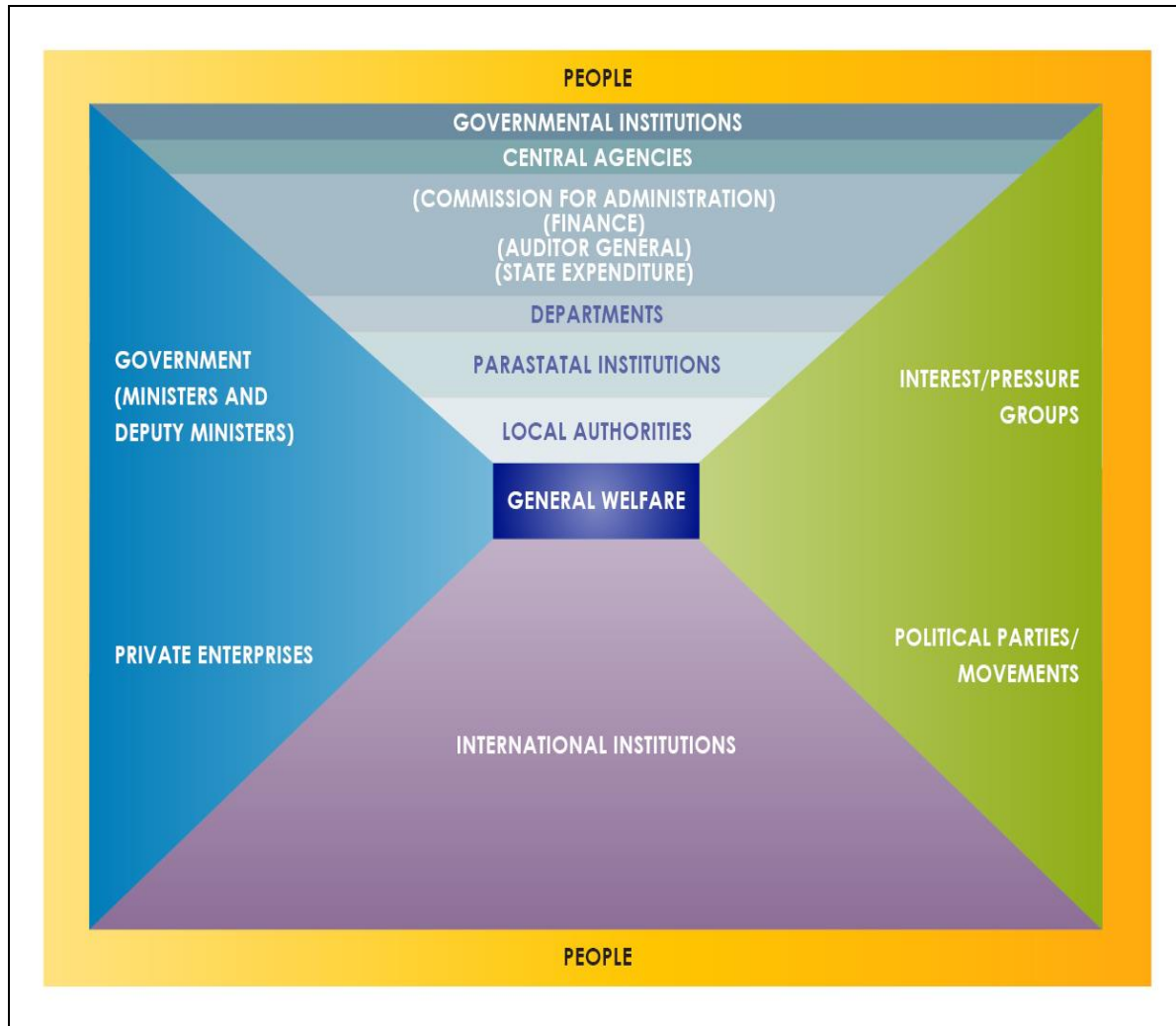


Figure 3.3: Van der Merwe Model

Source: Van der Merwe (1992:123, cited by Schierschmidt, 2002:26).

Several studies have considered various factors that influence organisational performance. The model illustrated in Figure 3.1 draws from Gavrea, Ilieş and Stegerea (2011:288), which was developed and aimed at comparing the performance of the various Romanian manufacturing firms with each other. The model notes, amongst others, the influence of the internal and external environments, as well as other factors that impact organisational performance. It recognises that the

proposed variables, in determining organisational performance are included in the model and are not exhaustive.

The Gavrea, et al. model (2011) focuses on structural elements that include the reason for existence, size and age of the company. It also focuses on internal environment, which includes elements such as leadership, strategy, quality, performance management, innovation and governance, while the external environment focusses on markets, customers, competitors and presumably the legislative environment.

Rogers (1999:11) presents an alternative simplified approach (Rogers' model) to organisational performance management as "to think of the fundamental organisational conditions that need to be achieved if a local authority is to successfully manage all the key aspects of its performance". The Rodgers' model, as depicted in Figure 3.4 below, "uses two axes: one focuses on what is happening either inside or outside the organisation, the other represents the need for both control and flexibility. The four quadrants produced represent the four main conditions for managing organisational performance in local government" (Schierschmidt, 2002).

The Schierschmidt (2002:30) model, which was adapted from Rogers (1999:11-12), is represented in Figure 3.4 and notes the interaction between the internal and external environments on organisational performance. It highlights the need for leadership to set clear goals and objectives, develop key systems and processes to ensure the delivery of quality products and services and to have staff, or develop and capacitate staff that are adaptive and innovative to manage the expectations of their clients in a politically responsive manner.

In the model, the bottom-left quadrant interfaces with the internal environment and highlights control over resources, communication and information and documentation. This is indicative of well-regulated and stable bureaucracies, and provides for significant order and methods of conducting the processes within an organisation. The bottom-right quadrant considers the external environment, including effective delivery of products and services; quality assurance; implementation of organisational strategy; monitoring and reporting on achievement against the goals and objectives of the organisation.

The top-left quadrant focuses on the internal environment and is tasked with ensuring that there is a focus on communication, staff involvement, capacity building; clarity of focus, improving staff morale, attitudes and motivation. The top-right quadrant has an external focus on communication, branding, marketing and feedback to customers. It also focusses on accountability and political sensitivities.

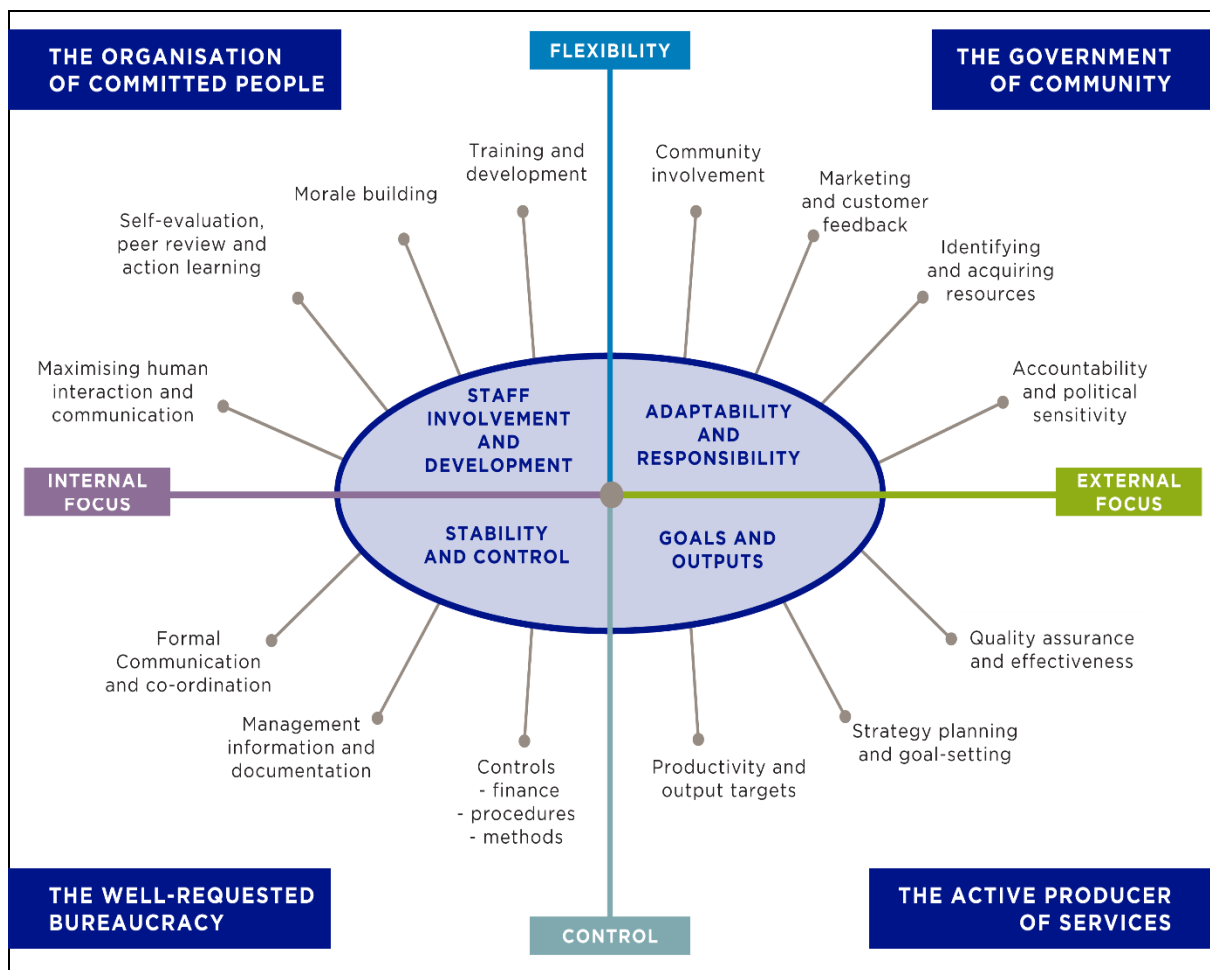


Figure 3.4: The Rogers/Schierschmidt Model

Source: Rogers (1999:12) in Schierschmidt (2002:31).

Schierschmidt (2002:30) highlights that the elements in the four quadrants in the Rogers' model are subject to pull and push factors, noting that there should be an equal awareness of internal and external factors impacting the performance of an

organisation. He also notes that management must have a balanced focus, be constantly aware of the elements in all four quadrants and regularly review and adjust the impact of the tensions amongst these.

3.3 ORGANISATIONAL PERFORMANCE: THEORETICAL FRAMEWORKS AND MODELS

Jessa (2012:31, citing Mouton & Marais, 1994) submits that models are considered to be conceptual frameworks or constructs that aim to simplify and systemise the outcomes of research given particular assumptions about the structure, causative and functional nature of the modellandum. Models are also considered useful in soliciting a range of questions in support of policy formulation (Pollitt, et al., 2002:25). Many models or theoretical frameworks on organisational performance have been developed. However, those reviewed in this chapter are primarily confined to outcomes-driven performance.

Jessa (2012: 31, citing Osborne, et al. in Van der Walddt, 2007:117) makes the point that the key drivers of achievement of outcomes, increased outputs and successful performance management, include factors such as accountability, learning and incentives. Mintzberg (1996:76-77) highlights that a need exists to develop a balance between private and public organisational performance models. As in the case of municipalities, options exist to either use both models, or adopt a hybrid of the two, whichever is appropriate to their circumstances.

The remainder of this section considers a number of organisational performance approaches and models that could be equally applicable for utilisation in local government (municipalities).

3.3.1 The New Public Management Approach to Organisational Performance

Hood and Jackson (1980) were the first to introduce the term 'new public management' (NPM) in an attempt to transform the public service to a business-like operation, to ensure efficiency and introduce market-oriented management and to ensure that services are delivered at greater cost-efficiency for governments. This approach,

according to Farazmand (2016), moved from the assumption that government programmes could be better delivered if the government sector could be relieved from rigid hierarchical bureaucracies.

Several features with regards to the new public management approach in Turner (2002, cited by Naidoo, 2005:73-74) have been identified. These include leadership, communication, goal setting, private sector management techniques, performance management and individual learner appraisal, effectiveness and efficiency, greater competition and the various participation of stakeholders in service delivery.

This approach puts focus on the citizen, the recipient of the service to be delivered; is results-driven and, in some cases, is delivered through external providers or private enterprises. Fryer, et al. (2009:479, in Jessa, 2012:32) makes the point that the NPM approach also “focusses on the effectiveness and efficiency of resource” use, empowerment and the services that have been delivered to communities by using public procurement processes.

Schwella, et al. (2015:48, citing Kamarck, 2002) states that NPM is founded on the principle that a successful government draws from the entrepreneurial spirit to revitalise itself and, in doing so, takes on concepts that were previously been the sole province of the private sector. NPM has at its focus a better performing government, reduction of the bureaucratic and hierarchical organisational structure, excellence, improved productivity, cost savings, quality and competitiveness.

This approach also aims to improve the greater welfare of society, increase participation in civic life, reduce wastage, eradicate corruption, improve competitiveness and quality, not forsake governance, and to promote impartiality and equality. In their book ‘Re-inventing Government’, Osborne and Gaebler (1992) focus on entrepreneurial government.

Hood (1995:93) notes that the new public management approach, uses public administration as tool for development, promoting moral values and civic trends in support of social change. It also promotes a decentralised approach to the control of resources to achieve improved results, competition and improved quality and timely delivery of services.

The three 'M's' (markets, management and measurement) concept, introduced by Ferlie, Ashburner, Fitzgerald and Pettigrew (1996:3), is described by these authors as "NPM in action". Minogue (1998:18-27, in Jessa, 2012:32) notes that NPM was introduced to bring about cost savings through reduction in bureaucratic organisations, to achieve cost effectiveness, performance auditing and measurement. According to Ahmed (2016), new public management requires that government is responsive and proactive in dealing with challenges; has the requisite flexibility and innovation to communication and staff and citizen empowerment; be accountable for delivering against goals and objectives; and can adapt to the use of technology, partnerships and processes.

Ahmed (2016) makes the point that the NPM approach focuses on the following five 'A' ideas:

- *"Alertness-Government:* should anticipate problems and changes before they emerge, then deal effectively with them".
- *"Agility-Government:* should be entrepreneurial, open, and communicative. It should empower citizens and public employees alike".
- *"Adaptability-Government:* should continuously improve the quality of its programs and services, and it should do so by assessing its performance with measurable results. It should alter with changing circumstances and take advantage of new opportunities".
- *"Alignment-Government:* should saturate itself with knowledge by effectively managing its information technology. Governments should collaborate with other governments and the nonprofit and private sectors to achieve social goals".
- *"Accountability-Government:* should have a clear and compelling mission that focuses on the needs of people. Government should improve its accountability to the public interest, which should be understood in terms of law, community, and shared values".

The Management Study Guide (MSG) (2018) highlights some foundational themes of the new public management model to include increasing efficiency, achieving value

for money and a strong focus on financial control. It further notes a master-servant relationship mode of functioning, with senior management holding disproportionate levels of power. The introduction of accountability with regards to financial and non-financial audits, uses transparent means to review performances, setting benchmarks, using protocols to ameliorate professional behavior. The NPM focuses on government in the interest of citizens achieving value for money, giving managers more discretion but holding managers accountable for delivery. This new approach also allows for audits on achievements, good governance, reflection and transparency to relevant stakeholders and citizens.

Refinements to the NPM have taken into account networks of collaboration and strategic alliances. The NPM model also propagates a quasi-market approach to mimic market forces, create a more fragmented or loosely controlled public service or contracted management, offering a differentiated service to government.

The NPM model evolved over time to include additional aspects or components. The new NPM is often referred to by scholars as the NPM (2) as it projects, according to the MSG (2018), a much stronger focus on “making use of private sector principles to increase efficiency” in public sector organisations. The critical aspects of this new model, as set out in Figure 3.5 below, include the:

- “Introduction of a more elaborate and evolved quasi-market system.
- Creation of more fragmented or loosely contracted public sector organizations at the local level setting in a change from management of hierarchy to management of contract.
- Distinguishing between the small strategic core and the large organizational periphery, market testing and contracting out the non-strategic functions.
- Delaying and downsizing.
- Introduction of new managerial concepts like Management by Influence, creating network for of organizations, creating strategic alliances between the organizations.
- Moving away from standardized service forms to more flexible and varied service forms”.

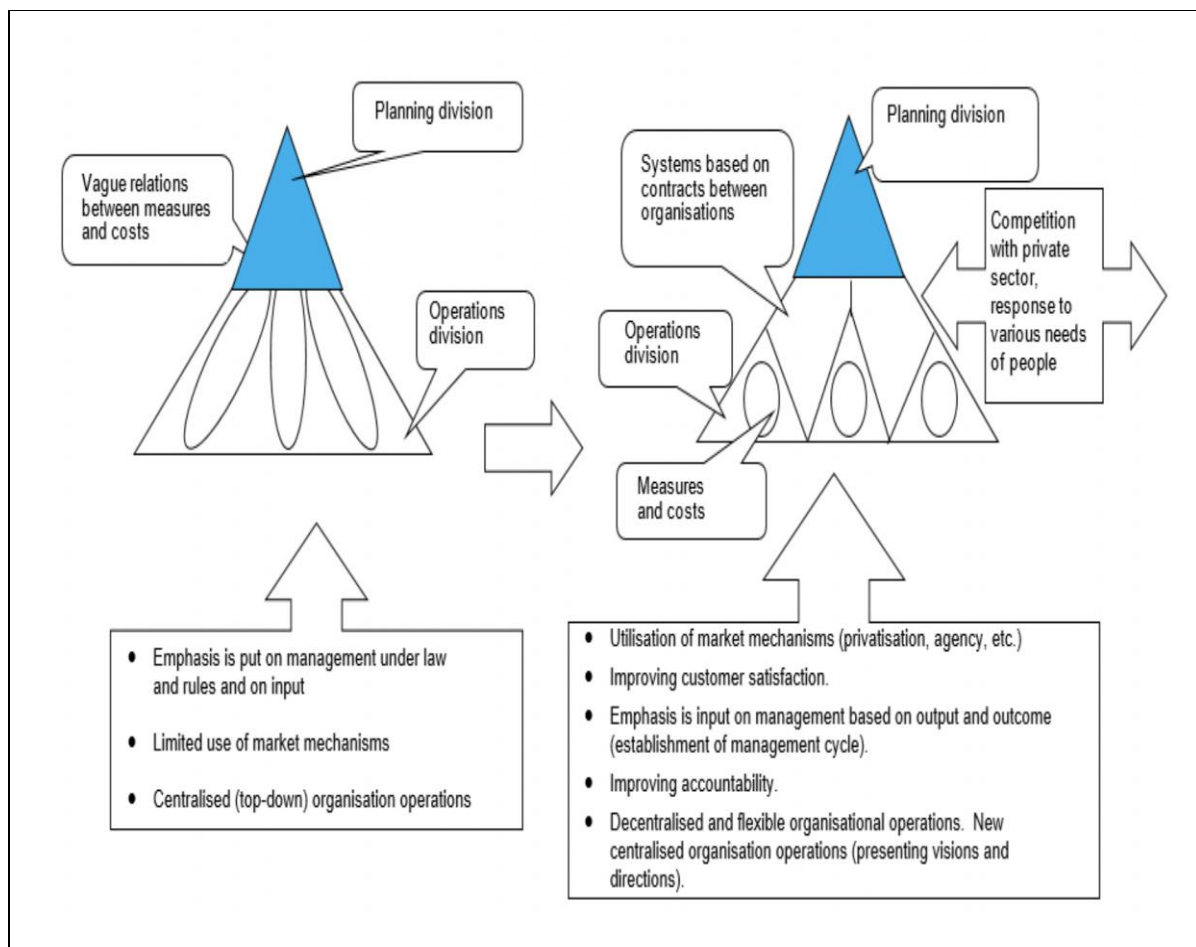


Figure 3.5: Administrative System Concept under New Public Management

Source: New Public Management Soshiro Osumi (1999).

Barzelay (2001) raises some criticism of the NPM approach, contending that the model could distort the links between policymaking and providing services and bring about a politicisation of the public service when managers are contracted under the pay-for performance method. This method suggests that managers could walk away from trying to meet citizens' needs; and by implication suggests that managers will sacrifice, compliance, loyalty and integrity.

Bovaird and Löffler (in Rabie & Ackron, 2010:18, cited in Jessa, 2012:32) highlight a few shortcomings of the NPM model. These include that it could have emphasised the

role of citizens more; that the model was inward looking to public institutions; and that inadequate transparency contributed to poor service delivery.

3.3.2 Nicholson and Brenner Model

Spangenberg and Theron (2004:19) developed a generic performance measurement model for work units, called the Performance Index (PI) that could equally be applied to non-profit, public and private organisations.

In their research literature, Nicholson and Brenner (1994), in considering the dimensions of perceived organisational performance, identify two psychometric measures. These measures are considered in the “systems model and the Unit Performance Questionnaire (citing Cockerill, Schroder & Hunt, 1993; Spangenberg, Schroder, Duvenage & Theron, 1999)”.

According to Spangenberg and Theron (2004), the Nicholson and Brenner model, derived from the work of Nicholson and Brenner (1994), comprises four elements measuring the effectiveness of an organisation. These include wealth, markets, adaptability and climate. The identification of these four elements underpins the statements made earlier that organisational performance and effectiveness are multi-dimensional.

Lewin and Minton (1986) and Quinn and Rohrbaugh (1983), in their experimentation with the Miles and Snow (1978) model, cite Cameron and Whetton (1983), who note the need for performing organisations to differentiate between their flexibility to deal with perceptions and integration of work across employees in the interest of sustainability, given the perceived risk of global climate change; internal strength (wealth); and their capability (markets).

3.3.3 Unit Performance Questionnaire

Spangenberg and Theron (2004:19) adopted Nicholson and Brenner’s (1994) performance model to develop a 360° performance management instrument called the Unit Performance Questionnaire (UPQ), which could be applied to public and private

sector institutions. The questionnaire comprises four categories: inputs (resources), climate, adaptability and outputs.

Comparing the two models demonstrates clear overlap, highlighting seven specific dimensions of sustainable organisational performance, which include:

- Leadership is considered a fundamental requirement for setting direction and holding all other requirements together to increase efficiency and increase or improve production and organisational effectiveness. It is foreseen that this is possible though improved business processes and people management, communication, learning circles, organisational interaction and synergistic production methods, as well as conflict resolutions.
- Business/work team unit's climate includes team cohesion, buy-in to the organisation's vision, psychological, attitude and staff motivation and key drivers of individual and organisational performance.
- Self-actualisation and employee job satisfaction, respect and trust in the integrity of the leader, career pathing and empowerment. Capacity or the wealth of the organisation includes the internal strength of its human capital as expressed through quality of diversity of staff and resources (equipment, financial and profits).
- Branding of an organisation, value-add, competitiveness, customer satisfaction of products and services, while maintaining reputation.
- The ability of an organisation and its leadership, management, systems and processes to appropriately adapt and react to changes in their environment.
- Predicting future trends, future performance, staff levels and expansion serving as a complete and inclusive index of anticipated future growth of an organisation.

3.3.4 The Logic Model

The introduction of logic models or log frames, as explained by Logic Models (2018), provides discourse to assist organisations to in a linear fashion interrogate the

relationship between resource inputs (what you put in), processes (what you do) used to transform them into outputs (what you get out or produce), which may result in outcomes (results from all activities). These are done with clarity of what it is expected to be achieved.

Logic models generally:

- Include a problem statement, goal, assumptions and rationale;
- Are a simplistic mechanism to communicate a product or service within a community; chart organisational direction from problems, and set measurable goals and objectives, rationale, inputs, activities, outputs and outcomes;
- Support data collection;
- Fail to provide evidence of achievement on what has been planned;
- Do not question the relevance of an intervention or project;
- provide intention, assumptions and rationale behind a project or a programme; and
- Can be used interchangeably, though contentiously, with the theory of change.

Bullen (2018) notes that “at the simplest level, a ‘Theory of Change’ shows the big, messy ‘real world’ picture, with all the possible pathways leading to change, and why you think they need to change (do you have evidence, or is it an assumption?)” and submits that [a] “logical framework is like zooming in on the specific pathway that program deals with and creating a neat, orderly structure for it”.

A typical logic model, as set out in Figure 3.6, considers both internal and external factors. Internal factors (assumptions, what you know or what you can control), are considered under the inputs, activities and outputs, whilst the external factors (what you cannot control) are considered as part of the outcome process.

Logic models hold both advantages and limitations. Some advantages of a logic model are that they are “easy to use – simple format, logical and sequential; builds a common understanding of goals, processes and expectations for resources – lets you easily

share ideas, identify assumptions, build your team and communicate; helps you design your service and improve and identify issues that are critical to achieve results and to identify what is no longer relevant to your goal; can explain the relevance of a service in the organisation or community; and measures and evaluates the important bits, so it supports data collection”(What Works, 2018).

Some of the limitations of the logic model include the following: “services and programmes are not linear; a range of factors influence results; a logic model focuses on the expected results, rather than the unintended or unexpected; a logic model doesn’t address the questions: are we doing the right thing? Should we do this programme?” (What Works, 2018).

A logic model development guide was published by the W.K. Kellogg Foundation (2006) and provides useful analytical tools and resources to understand, develop and implement a logic framework within an organisation. The use of such analytical tools could contribute to improved planning and the implementation of programmes with a view of demonstrating the effectiveness of the various program activities by initiating and completing outcome-oriented evaluation.

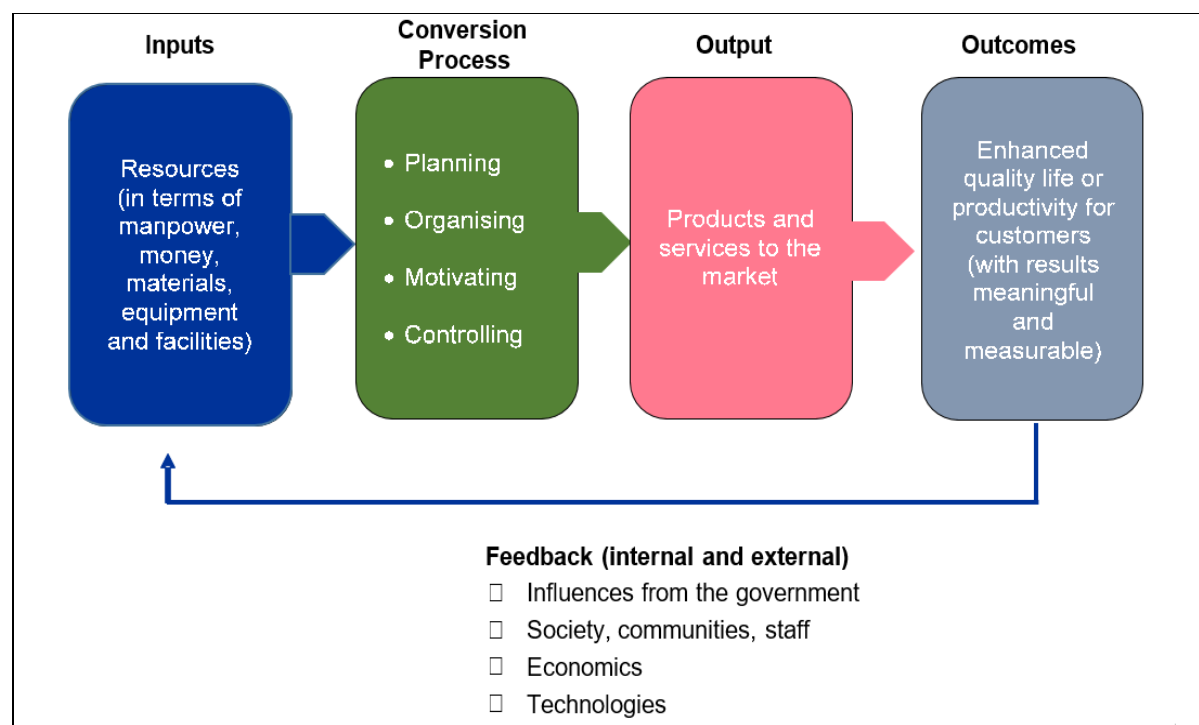


Figure 3.6: Typical Logic Model

Source: Researcher’s own, as adopted from various literature.

The E2 Model, developed by O'Donnell and Duffy (2002:1217-1218), provides an attempt to measure the efficiency and effectiveness of organisational performance and can be regarded as a good example of unpacking the typical logic model. According to Jessa (2012:36), congruency and interrelatedness between activities and what they aim to achieve are used to design the key performance indicators (KPIs). O'Donnell and Duffy (2002), in their 'E2 Model', provide three elements, also termed axioms, that are considered key in determining performance. These axioms note that performance could be encapsulated in effectiveness and efficiency indicators and that the action and execution thereof are intrinsically linked.

The E2 model applies four knowledge factors, termed the GIRO knowledge factors. These factors contribute to the measurement of, and could be used to make inferences on, product efficiency and effectiveness and could form the basis for making: 'Knowledge Goals' (G) to steer the activities; Knowledge Inputs (I); Knowledge resources (R); and Knowledge Outputs (O).

3.3.5 The Systems Model

There are a lot of similarities between the logic model and the systems model. The systems model includes the vision, mission and goals. Jessa (2014:34, citing Grobler, et al. (2006:288), promulgates "that managers should be the raters trained in person and system factors" emanating from different business units within the organisation working together to achieve the objectives.

Jessa (2012:34, citing Straub, Koopman and Van Mossel, 2010:325), highlights that the systems model provides a systemic analysis of inputs, processes (workflow, communications and coordination), outputs to assess operational effectiveness and efficiencies of an organisation. The systems model provides for stakeholder involvement, management and empowered staff in problem solving and the effective and efficient operations, and recommendations for improvement of municipal services and products. Organisational performance management has as its foundations inputs, processes, outputs and their linkages.

Spangenberg (1994:3) submits that “process, outputs and linkages form part of the ongoing process that comprises the core of organisational performance management” and, therefore, in his article ‘Performance Management – Problems and Possible Solutions’, places the ‘ongoing processes’ part (see Figure 3.7 below) separately in a dark frame to distance it slightly from inputs, as well as planning and design. Figure 3.7 further demonstrates the ongoing, cyclical nature of performance management, allowing for an annual clarification or conformation of the vision and mission of the various units and the organisation. It also allows for major changes in inputs, such as strategic shifts which will have a strong influence on the organisation and in that way highlight the relative distant position vis-à-vis a corporate head office.

Spangenberg (1994:3) highlights that the systems model notes that a reciprocal relationship exists between organisational systems and performance management. The systems model of performance management, as set out in Figure 3.7, provides a holistic view on organisational performance and includes ongoing management awareness of areas that need to be monitored and corrected.

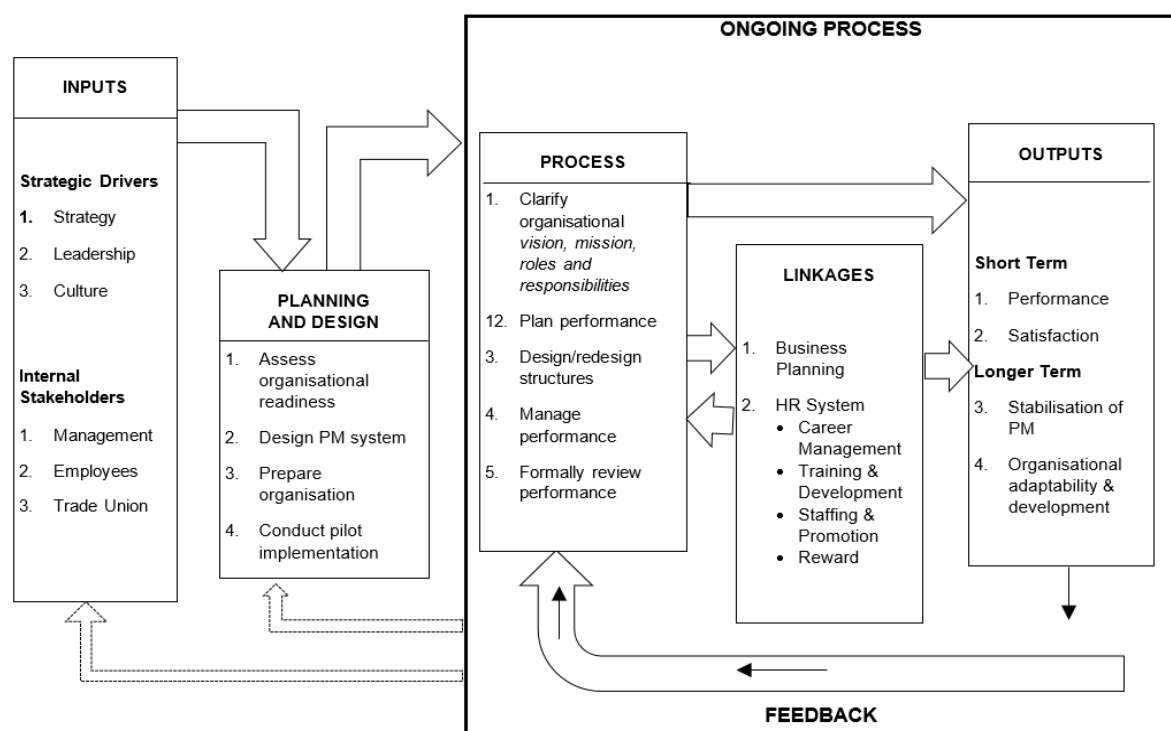


Figure 3.7: Systems Model of Performance Management

Source: Spangenberg (1994:3).

3.3.6 Public Services Sector Quality Model

Despite strong growth in the services sector, Parasuraman, et al. (1995:41) highlight that little progress has been made to provide an accurate definition of “organisational performance in the public sector” and to link it to the measurement of service quality. Included in the definition of organisational performance, and aligning it to the measurement of service quality, is the research work conducted by Gronroos and Lehtinen (1982); Lewis and Booms (1983) and Sasser, Ohlsen and Wyckoff (1978), as cited in Parasuraman, et al. (1995:42).

A municipality is in the business of delivering services and is structured and mandated to offer services to citizens and can therefore be regarded as forming part of the broader classification of the service sector. As a result, they must focus all efforts to measure the quality of service delivery by means of citizen satisfaction surveys. These surveys measure whether municipalities have met, exceeded or failed to meet their customers’ expectations. The value of satisfaction is seen as the difference between citizen expectations and what they have experienced.

The municipality provides a public service and organises its delivery. It expresses customer satisfaction as the outcome of a process in which citizen expectations are met, exceeded or not met to versus the experience the citizen receives.

In a public service, which is normally monopolistic, measuring customer satisfaction is one of the key informants to assess performance. Whilst private companies have other tools, such as profit, measuring customer satisfaction helps public services providers, such as a municipality, to choose priorities of intervention. It also helps to improve service quality, reputation of the provider (municipality) and satisfaction by the client (community), which adds value to the product or brand.

Parasuraman, et al. (1995:41-42) highlight the prevailing Japanese philosophy of ‘Khaizan’, meaning continuous improvement in service quality with “zero defects-doing it right the first time”. They cite Crosby (1979) who explains service quality as “conformance to the requirements”. Garvin (1983) “measures quality by counting the incidence of ‘internal’ failures (those observed before a product leaves the factory) and ‘external’ failures (those incurred in the field after a unit has been installed)”.

Parasuraman, Zeithaml and Berry (1995:43) note that to comprehensively understand service quality, consideration needs to be given to characteristics such as intangibility, heterogeneity and inseparability. These include a need to focus on organisational performance, consistency of behaviour of staff and standardised product quality and the interaction between client and service providers.

What emerges is that:

- Given the intangibility, perceptions and subjectivity of services, measuring quality proves to be more difficult than that of a physical product.
- Measuring quality involves comparing performance against expectation. As they relate to service delivery, customer expectation and comparison across services or products are important. In defining quality of services, customer satisfaction should be met on a consistent basis (Lewis & Booms, 1983).
- Material, facilities and personnel have been identified by Sasser, Ohlsen, and Wyckoff (1978, cited in Parasuraman, et al., 1995:42-43) as determinants of organisational performance. They highlight that the outcomes should be measured on what (physical, cooperative and interactive) and how (technical or functional) things have been delivered.

Given all the role-players in the service sector, there could be differences, discrepancies or gaps in the perceptions or experience in the service quality between the views from the municipality (politicians, management and staff) and that of the broader community (consumers including businesses). Customer expectations or perceptions and service providers highlight seven quality gaps or discrepancies in measuring the delivery of quality of services and products. The service quality model, as set out in Figure 3.8, uses customer satisfaction assessment methodology, namely the SERVQUAL model, to measure incongruence between customer expectations and experience. The SERVQUAL model measures the seven quality gaps or discrepancies between the perceptions of consumers and service marketers and takes account of elements such as empathy, responsiveness, access, competence, reassurance, courtesy, communication, reliability and credibility.

The (Public) Service Quality Model uses quality assurance methodologies on outputs and customer satisfaction to continuously improve organisational performance (Jessa, 2012:34). This model, as depicted in Figure 3.8, also addresses challenges as it relates to areas not serviced and those requiring additional focus.

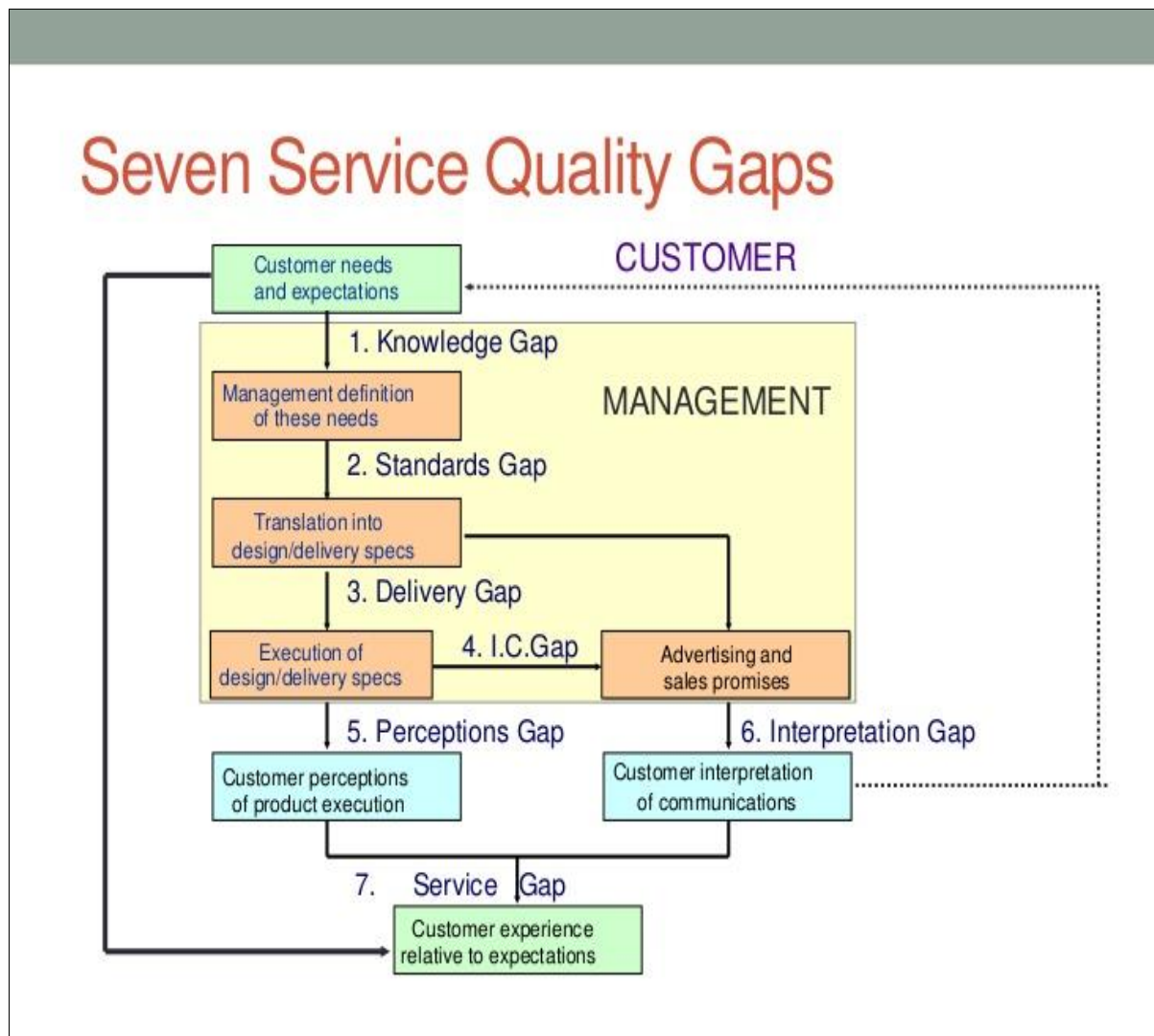


Figure 3.8: Services Sector Quality Gap Model (2018)

Source: Service Sector Quality Gap Model (2018).

3.3.7 Outcome-Based Performance Management Model

According to Ackoff (1986), Coda (2010) and Sorci (2007), in Bianchi (2016:51), organisational growth can be viewed from both qualitative and quantitative perspectives. They consider enhancing synergies with stakeholders and learning process improvement over time as part of the qualitative perspectives, while quantitative processes can be grouped under structural or operational. The literature provides three perspectives on sustainable organisational development and performance, focusing on balanced growth, namely internal profile, external profile and time.

The outcomes-based performance management approach includes achieving consistency in and between internal organisational sub-systems, processes and sectors; while the external profile includes, balanced growth with the organisational finances, competitors and social (Coda, 2010). Given the expansion of citizen needs amidst retreating resources, “there is a need to improve public sector performance”, in line with continuous improvement processes and the measurement of outputs and outcomes (Bianchi & Rivenbark, 2012; Bianchi & Xavier, 2014). In support of sustainable organisational performance, there is a need for dynamism and interaction or interlinkages in and between institutions on the achievement of outcomes-based performance management and as it relates to the public sector.

Targeting outcomes performance-based management to the public sector is a bit more complex as the outcomes of different institutions are often related or interrelated and can have a knock-on effect, making it difficult from both theoretical and practical perspectives (Rainey & Han Chu, 2005). This complexity also plays out in decision making as it is impacted by legislation and time delays in observing feedback and impact due to the interrelatedness of institutions (Bianchi, 2016:58).

It is expected that the public sector be held to higher levels of capability and accountability as it provides services to the private sector and communities, which has implications for higher socio-economic value and economic growth. Sustainable growth in a local area through value creation and outcome performance management has been the key feature of the Bianchi Systematic Framework/Model, as demonstrated in Figure 3.9. This systematic model can easily be applied to public and private sector institutions to assess value creation in pursuit of sustainable growth. It

further provides a basis for tying improved service delivery to good governance and public trust.

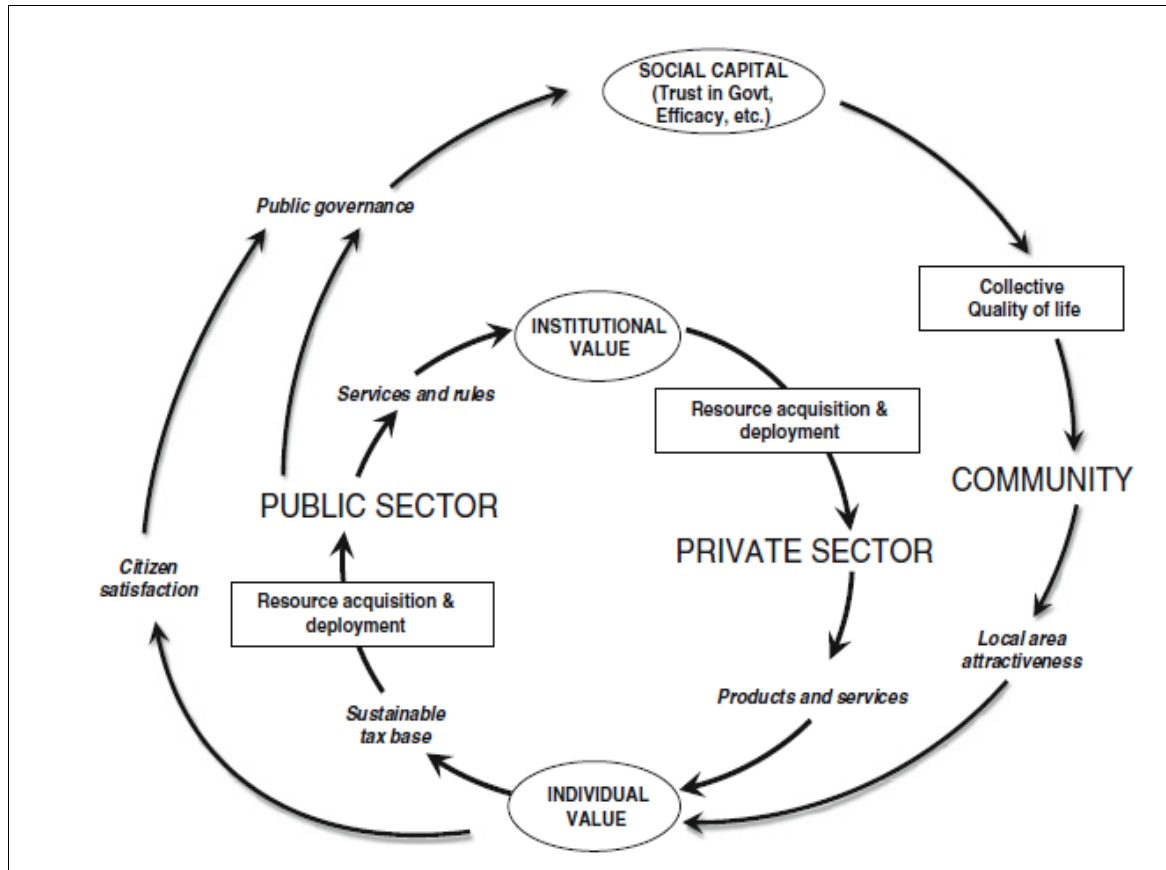


Figure 3.9: Bianchi Systematic Framework (Model)

Source: Bianchi (2016:60).

The model highlights the need for an outcomes-based approach to organisational performance that may require cooperation and good governance of a number of institutions (public and private) to derive good public policy outcomes, achieve individual and public value, and have regular evaluation and feedback to address stubborn problems (Bovaird & Löffler, 2003:316).

Bovaird (2007) highlights that good service delivery and rules on behalf of government can generate new value to public and private sector; improve community participation; and, through good governance, improve social capital, as well as citizen trust and participation in government.

Good governance is also seen to improve the attractiveness of a region (socially and economically) and thus generate further public value. This value, according to Bianchi (2016:64) may be comprised of improved and sustainable “taxation and citizen satisfaction and participation to public governance” creating a “virtuous sustainable development circle”.

Bovaird and Löffler (2003, in Bianchi, 2016:61) highlight that since the 1980s and 1990s the Bianchi Systematic Framework/Model has inspired many international public sector reforms, targeted at achieving an acclaimed “excellent public service delivery as a means to generate value for a community”. Noting the stubbornness of some of these challenges, the pursuit of sustainable socio and economic development objectives on its own may not be enough.

Compounding the issue on these ‘wicked problems’ and stubborn challenges is that they are often characterised by being social problems that affect a multitude of stakeholders at various hierarchical levels, each with their cultures that affect policy planning, design, support, decision-making, implementation, measurement and accountability (Bianchi, 2016, citing Bovaird & Löffler, 2007; Rittel & Webber, 1973:160).

Over the last ten years, several countries have developed various new approaches to improve interinstitutional collaboration to address the stubbornly stuck societal challenges. Amongst these approaches, submitted by Bianchi (2016:61-62, citing a number of references), is following joined-up government⁴ (Christensen & Laegreid, 2007b, 2013; Christensen, et al., 2014), whole-of-government (OECD, 2005), integrated governance, outcome steering (Hood, 2005), holistic governance, horizontal management (Peters, 2015), and new public governance (Osborne, 2010).

To manage such processes, Borgonovi (1996:105) highlights three levers: “(1) institutional reforms, (2) organization structures and performance management systems, and (3) cultural/social systems”. Other good examples of outcomes-based

4 According to Pollitt (2003:35), “Joined-up government is a phrase that denotes the aspiration to achieve horizontally and vertically coordinated thinking and action” to realise a number of benefits such as “different policies that undermine each other can be eliminated” through improve utilisation of scarce resources ... “synergies may be created through the bringing together of different key stakeholders in a particular policy field or network” and the possibility “to offer citizens seamless rather than fragmented access to a set of related services”.

(results-oriented) performance measurement models, according to Jessa (2012:36), include the 'Burke and Castello Performance Model' and the "New Zealand service performance measurement model". These models highlight four strategic domains in which organisational performance is managed and measured. These frames include the structure; human resources; political and symbolic, and address the strategy; relationship within and outside of the organisation; the achievement of stated goals and the staff capacity; and training and collaboration required to deliver on organisational performance. They also address the political and executive interfaces, leadership and power relations within an organisational culture of wanting to deliver.

Breitbarth, Mitchell and Lawson (2010, in Jessa, 2012:36) highlight that the New Zealand model "is driven by the ratepayers' involvement and demands and is integrated with the Medium Term Municipal Assessment (MTMA) and the Long-Term Council Community Plan (LTCCP)". The LTCCP is involved in planning the regulatory frameworks and involves a range of role players, including "all employees, the auditing authority, consultancies and politicians in the operation of the model. A 'service performance index' (SPI), is used to rate what is of high and low priority in respect of performance objectives. In this manner, important municipal functions are rated in terms of importance and past performance ratings".

3.3.8 The ISO 9000 Service Excellence Model

The ISO Service Excellence Model involves, while meeting customer and other stakeholder expectations, compliance with legislative and concomitant regulations, provided for in the seven quality management principles (QMP). These QMPs are leadership in directing the organisational purpose; delivering on meeting customer expectations; building on people empowerment; evidence-based decision-making; efficient resource management; and relationship management and value creation.

Gaster, et al. (2003, cited in Jessa, 2012:35) makes the point that the ISO 9000 model could be used in local government to measure progress towards achieving outputs and outcomes at municipalities. The use of this model is recommended, despite difficulty in no consensus on the exact definition of performance and quality. Gaster, et al. (2003:136) notes that it is a requirement for the municipality to set clear

objectives, identify service standards, communicate with communities, and have buy-in from national government and top management to improve service delivery.

The setting of service standards, according to Jessa (2012:35, citing Gaster, et al., 2003:88-89), asserts that quality improvement happens when quality and quantity norms have been established. However, Grobler, et al. (2006:269) suggests that an improvement in quality occurs once the quantity or a quality has been established in terms of the good or service produced, noting that this quality or quantity is a result of community participation and that the service or good is produced in a sustainable manner at the place where it is needed. He makes the point that managers in municipalities “are expected to be responsive to specified mandatory standards, by way of being compliant with service standards or policies” and further that setting standards “has a direct bearing on efficiency, accountability and equity, without which, clear measures for performance will not be obtained”. Jessa (2012:36, citing Pollitt 2003; Shah, (2009) and Zeegan (in Fryer, et al., 2009) highlight a risk of a potential “decline in motivation and innovation” amongst sector managers should these norms be imposed on them.

3.3.9 The Balanced Scorecard

Kaplan and Norton (1992:71) developed the Balanced Scorecard (BSC) framework which is regarded as one of the most popular approaches used by many institutions in measuring organisational performance. The BSC, moving away from the traditional way of measuring performance during the industrial era focusing primarily on financial output, also considers non-financial indicators as proxy for organisational performance. Although initially developed for application in private sector institutions, the utilisation of the balance scorecard framework has in recent times extended to both the private and public sector, with many municipalities adopting the framework as a model for both individual and organisational performance measurement.

Organisations, according to the BSC Institute (BSCI) (2018), use the BSC as “a strategic planning and management system to align” the daily operations to the strategy the organisation is embarking on; decide on its priorities, communicate the expectations and measure progress on what it is trying to achieve.

The BSC, as depicted in Figure 3.10, is able to link the strategy as per the vision (what we aspire for), mission (our purpose), values (what we believe in), strategic goals and objectives (themes, results and/or goals) to the operational aspect of organisations. The BSCI (2018) makes the point that the system operationally strives to achieve continuous improvement in activities by connecting “the dots between big picture strategy elements such as mission, vision, core values, strategic focus areas and the more operational elements such as objectives, measures (or key performance indicators, or KPIs, which track strategic performance), targets (our desired level of performance), and initiatives (projects that help you reach your targets)”.

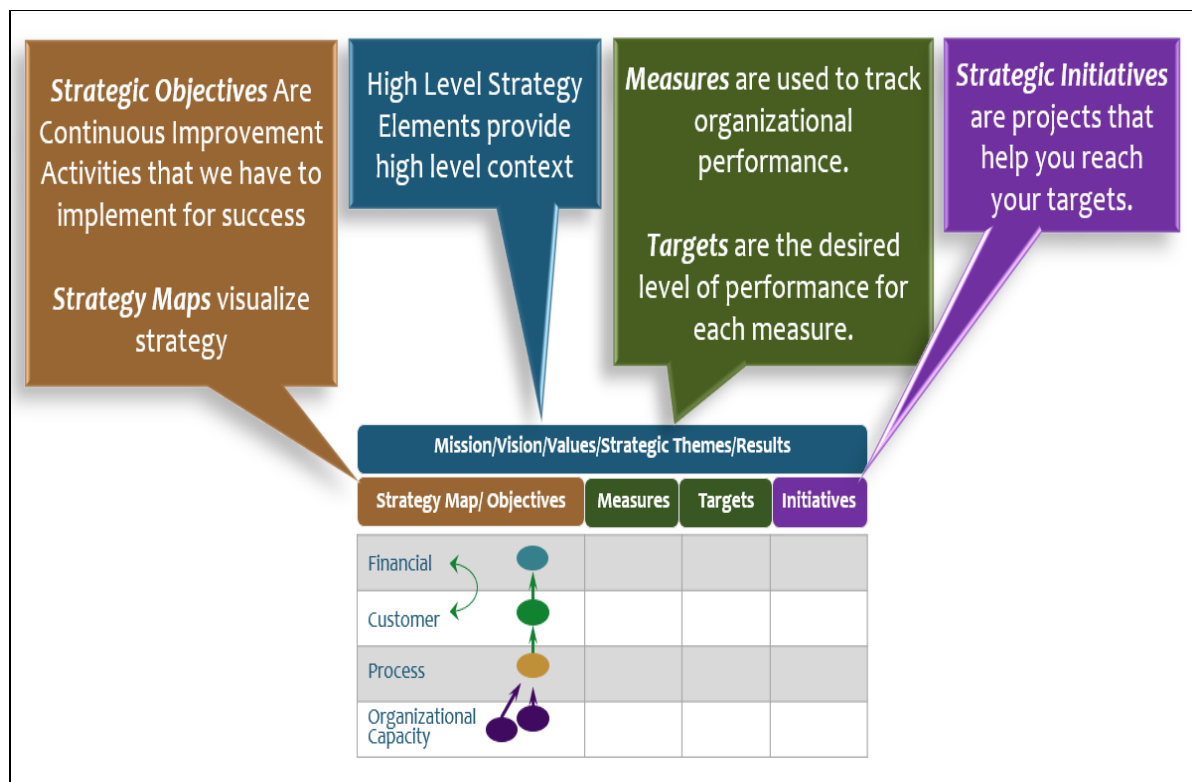


Figure 3.10: The Balance Scorecard – Connecting the Dots

Source: BSCI (2018).

Kaplan and Norton (1992:72) note that the BSC Framework measures organisational performance based on four components: customer innovation and learning, internal business perspectives, customer expectations and experience, and financial. They

recommend that managers set key performance indicators and targets against each of the four components to assist in monitoring and evaluating performance. Kaplan and Norton (2001) highlight the following advantages of using the BSC in measuring organisational performance

“... gives top managers a fast but comprehensive view of the business. ... includes financial measures that tell the results of actions already taken...it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organisation's innovation and improvement activities - operational measures that are the drivers of future financial performance”.

According to Rouse and Putterill (2003:793), “the balanced scorecard is stakeholder oriented”. The stakeholder component considers organisational performance from the view point of the customer or stakeholder that the organisation was designed to serve, while the “organisational capacity (originally called learning and growth)” considers “organisational performance, human capital, infrastructure, technology, culture and other capacities” Rouse and Putterill (2003:793).

Kaplan and Norton (1992:74) highlights that organisations create public value through response to customer expectations and how customers view the services provided by organisations. To respond, organisations must adjust their internal processes to provide for improved efficiency and performance in the way they manage and use their financial resources and improving profits and the bottom-line.

The simplicity and minimalistic approach to information, allows managers to focus their attention on a few critical measures to effectively manage the performance of organisations. The four perspectives of Kaplan and Norton's balance scorecard model are set out in Figure 3.11 below.

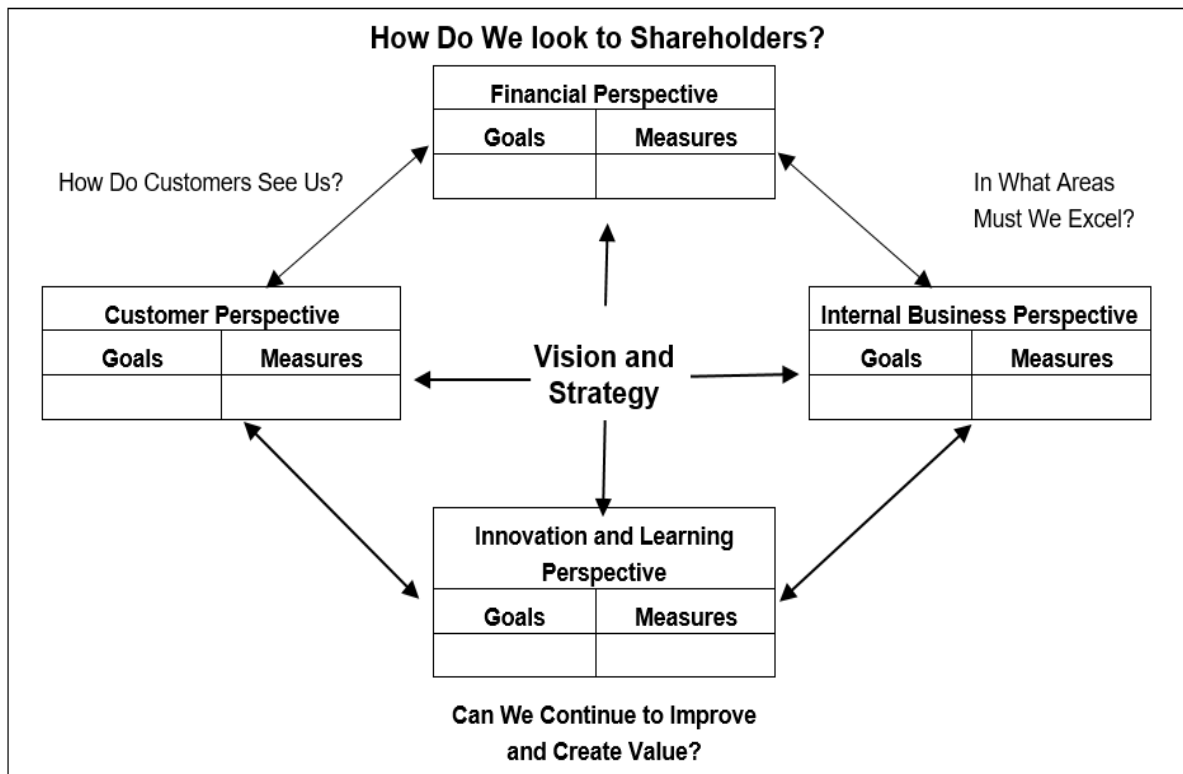


Figure 3.10: Kaplan and Norton's Balance Scorecard

Source: Sim and Koh (2001).

The BSC has recently also been expanded to centrally incorporate a fifth perspective, namely 'vision and strategy alignment' in order to support an execution culture. The addition of this element enables and improves linkages between the organisations vision, strategy and what work is performed by individuals in the organisation. Armstrong, et al. (2000:8) highlights that by adding the fifth component, the BSC is able to bring about vertical and functional alignment through the integration of organisational objectives and strategies with the work performed by individuals in the organisation. Fontannaz and Oosthuizen (2007:11) note that "whilst this approach provides a valid strategy execution and measurement framework for ensuring stability, the underlying assumptions of rational decision making by the multi-stakeholder perspective is in determining a common unit of analysis for measuring stakeholder satisfaction, across a range of dimensions.

Noting the popularity and advantages of the BSC methodology, critique has been that the BSC framework, according to Rouse and Putterill (2003:793) citing Kennerley and Neeely (2000), omits a competitive dimension; it fails to recognise aspect of human resource capacity and performance of suppliers; and fails to identify which dimensions of performance determines performance. According to Linard, et al. (2002), the BSC is unable to transform organisational strategy into a coherent set of objectives and measures, nor is it able to select metrics and their relationships to determine organisational performance.

Sloper, et al. (1999) submit that the BSC is a static approach, as the framework ignores feedback. Linard and Dvorsky (2001, in Bianchi, 2016:67) makes the point that “Norton and Kaplan stress the importance of feedback relationships between BSC variables for describing the trajectory of a given strategy, [however] the cause-and-effect chain is always conceived as a bottom-up causality, which totally ignores feedbacks, thereby confining attention only on the effect of variables in the lower perspectives”. The BSC is unable to provide an understanding of how: policy levers influence strategic resource usage, depletion and accumulation; “performance drivers affect end-results (both output and outcome measures)”; and “end-results will affect strategic resource accumulation and depletion processes” Bianchi, (2016:67).

The view from Broadbent and Laughlin (2009:283) is that the BSC framework of Kaplan and Norton has “a narrow definition of a performance management system”, whilst “Marchand and Raymond (2008:663) suggest that the impact of the balanced scorecard on organisational performance is still a debatable question”.

Despite the critique of the BSC method, its use is popular amongst managers for the sake of simplicity and not having information overload; it provides a useful guide on identifying unique organisational and individual objectives. The BSC can link the organisational objectives with that of the individuals within an organisation. This methodology compels individuals in an organisation to identify their most important objectives and values, to develop metrics and measure performance. Henkins (2002:5), highlights that the BSC provides “a systems approach as it is based on cause and effect relationships” and takes a holistic look at what the organisation does.

3.3.10 The McKinsey 7-S Framework

The McKinsey 7-S model, also known as Peters' and Waterman's 'seven excellence attributes' was developed in 1982. This model is but one of many other leading excellence frameworks and models developed over the last 25 plus years (Peters & Waterman, 1982). According to Dahlgaard-Park and Dahlgaard (2007), some other models developed over the last two decades include "Peter's and Austin's simplified excellence model (1985), lists of best practices (1998), Xerox excellence models (1990, 2002), the European excellence model (1992), Dahlgaard-Park and Dahlgaard's 4P model (1999, 2004) and Toyota's 4P model". For the purpose of this study, the focus will be on Peter and Waterman's (the McKinsey) 7-S Framework given its strong linkages to the balance scorecard.

According to Kaplan (2005), the BSC and McKinsey 7-S models complement each other when their features and functions are compared. Even though the two are not fully aligned, the BSC model is viewed as the contemporary manifestation of the 7-S model. It also helps to explain why the BSC model is considered a popular, practical and effective tool to align organisational strategy, processes and execution.

Excellence models often ignore human and the soft dimension when models to improve organisational performance are implemented. In considering well-known excellence models, Dahlgaard-Park and Dahlgaard (2007) found that they are often inspired by Japanese practices and that they include the soft dimensions of organisational realities.

The McKinsey 7S Framework is a management framework or diagnostic model conceived and developed in the late 1970's at consulting firm McKinsey & Coby well-known business consultants Robert H. Waterman, Jr. and Tom Peters, aimed at addressing the critical role of coordination, rather than structure. The McKinsey 7S Model, according to Kenton (2019), can be regarded as "a framework for organizational effectiveness that postulates that there are seven internal factors of an organization that need to be aligned and reinforced in order for it to be successful" and that "it specifies seven factors that are classified as 'hard' and 'soft' organisational variables or elements". These elements or reinforcing variables are linked and aligned and are considered by every organisation that aspires to succeed. Different to past practices, 'soft' organisational variables outnumber the previously dominant 'hard'

ones. Kenton (2019) makes the point that the [h]ard “elements are easily identified and influenced by management, while soft elements are fuzzier, more intangible and influenced by corporate culture”. The ‘hard elements’ are strategy, structure and systems, whilst soft elements are shared values, skills, style and staff. The McKinsey 7-S model is used to monitor and assess changes in internal organisational situations and to recommend adjustments that will assist them to perform better and or maintain performance.

According to Malbašić and Brčić (2012:100), Peters and Waterman (1982) “were among the first to recognize the importance of organisational values as a key organisational variable in their model known as the McKinsey 7-S Framework”. In their research, they identified ‘shared values’ as a central element amongst all the variables, which can be “defined as the connective tissue of contemporary organisations and the key to individual and organisational” behaviour (Sikavica, et al., 2008, cited by Malbašić & Brčić, 2012). The McKinsey 7-S Framework is depicted in Figure 3.12 below.

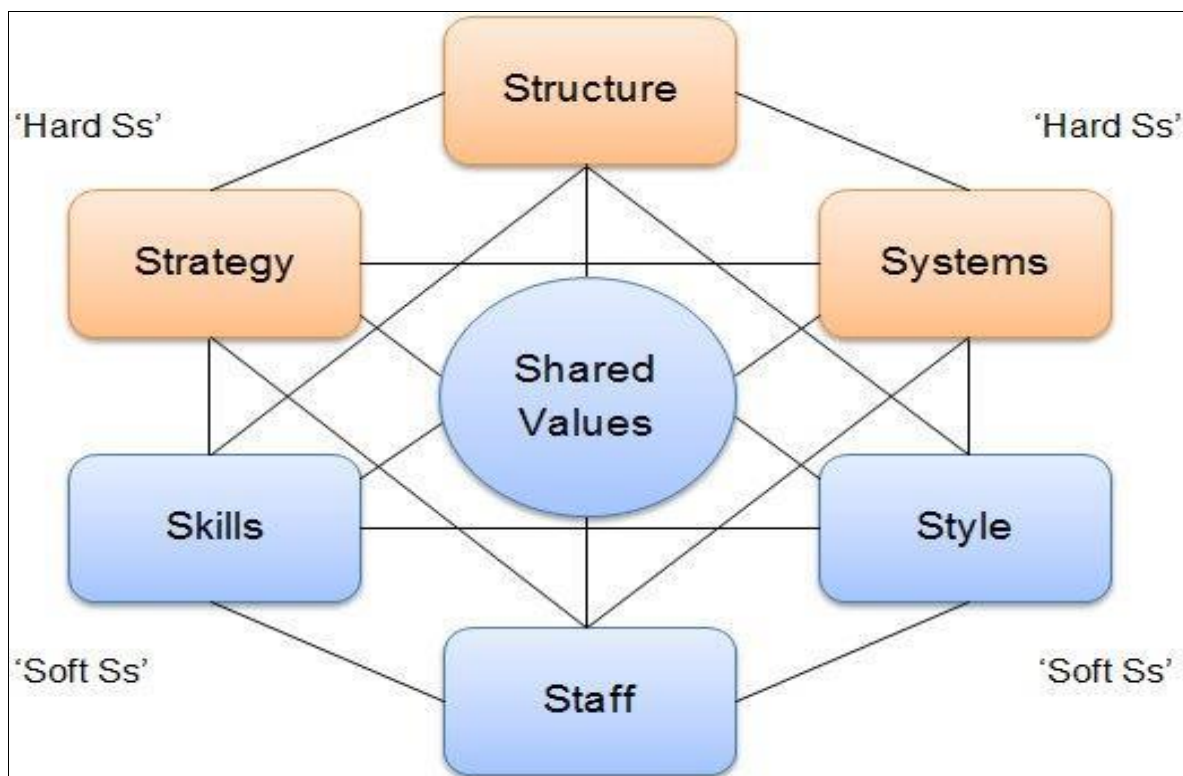


Figure 3.11: The McKinsey 7S Framework

Source: Jurevicius, O (2013).

The departure of the seven interdependent elements (three hard and four soft) as set out in the model is that there are seven internal aspects of an organisation that need to be aligned and reinforced and given equal importance if it is to be successful and to achieve the best results (Peters & Waterman, 1982).

The hard elements, according to Ravanfar (2015:8), include the following:

- Strategy – a plan that clearly sets out the main aims of the business and initiatives on how it will go about improving its competitive advantage and successfully participate in the market on a sustainable basis. A comprehensive “strategy is the one that is clearly articulated, is long-term, helps to achieve competitive advantage and is reinforced by strong vision, mission and values”, structure and systems and is well-aligned with the other six elements of the 7s model.
- Structure – refers to the organisational chart of an institution and includes the separation of activities, integration and coordination mechanisms and institutional accountability arrangements and is regarded as “one of the most visible and easy to change elements of the framework”. Important to note, is that ‘structure’ follows ‘strategy’ and not the other way around.
- Systems – refers to the official processes and procedures for measurement, reward and resource allocation and includes the institutions’ everyday operations and how business is conducted and decisions are taken and is regarded by Jurevicius (2013) as “the main focus for managers during organisational change”.

The soft elements, according to Ravanfar (2015:9), include the following:

- Shared values – refers to “the norms and standards that guide employee behavior and company actions”, it is the foundation or the “core of McKinsey 7s model” that holds everything together and also connects to all the other values.

- Skills – refers to the organisation’s core proficiencies, competencies and distinctive capabilities that enable the employees of the institution to perform very well. The specific skills of an institution underpin and strengthen the strategy and structure.
- Staff – refers to an institution’s human resources, demographic, educational and attitudinal characteristics and includes human resource management processes, such as recruitment, training, motivation and reward.
- Style – refers to “the way the company is managed”. Alternatively put, the “management style of the company’s leaders” and includes the behaviour patterns of top-level managers and professional, “how they interact, what actions do they take and their symbolic value” (Jurevicius, 2013).

Woodcock and Francis (1989, in Malbašić & Brčić, 2012:100), submit that values have a fundamental role to play in an organisation’s success and liken “an organisation without values as a house built on weak foundations that will eventually fall”. It is important to establish clear guidelines for the formation of a values-based organisation, one key ingredient being “a well-chosen way of communicating organisational values to employees and customers as well as to other stakeholders” (Malbašić & Brčić, 2012:100).

Some criticism of the 7-S Framework (as an integrative approaches) came from D’Aveni and Gunther (1994:236), who make the point “that environmental turbulence erodes competitive advantage and that the frameworks limit an organisation’s ability to deal with change” and, given this contention, they proposed the “new 7-S framework, which comprises a vision for disruption [and] general capabilities for executing disruption and product/market tactics to deliver disruption”. In essence, determining and supporting the organisational strategy makes the organisation resilient to disruptions, shocks and unforeseen events.

3.3.11 The Burke-Litwin Performance and Change Model

The Burke-Litwin model (Burke & Litwin, 1992) is broadly regarded as a well-researched diagnostic model/framework for “assessing the factors affecting organisational effectiveness in a cross-cultural research setting, environmental impact and organisational performance, as well as on change and effectiveness”. The Burke-Litwin model is based on an efficient, yet practical “cause-and-effect framework that explains linkages how organisational performance and overall effectiveness” is affected and influenced. The Burke-Litwin model of organisational performance and change (according to Burke & Litwin, 1992; Chawane, van Vuuren & Roodt, 2003), provides a taxonomy or nomenclature of key organisational dimensions “and is reported to clearly show cause-and-effect relationships between the organisation’s internal and external environments, aimed at explaining their link to organisational effectiveness”.

Furnham and Gunter (1993) submit that “the Burke-Litwin model is the best-known and most influential model for looking at the role of organisational climate in business performance”, echoing the views of Kraut (1996) who describes the model as comprehensive, as well as one that “enhances the efficacy of an organisational diagnosis and serving as a guide to actions resulting from the diagnosis” and who view it “as based on sound theory and research”. French and Bell (1999) view “the model as playing a significant role in thinking about planned change”. Burke and Litwin, (1992) highlight that the model forecasts “behaviour and performance consequences, it deals with cause (organisational conditions) and effect (resultant performance), serving as a guide not only for diagnosis, but also for planned managed organisational change”. The authors “describe the model as a mechanism that portrays ... the primary variables that need to be considered in any attempt to predict and explain the total behaviour output of an organisation, the most important interactions between these variables, and how they affect change” (Burke & Litwin, 1992).

The Burke-Litwin model, as depicted in Figure 3.13, is constructed demonstrating “that there are four groups of elements within an organisation”, namely “the external environment, transformational factors, transactional factors and performance” (Accipio 2018), with each of the groups comprising and reflecting various elements of the organisation. The model reveals and depicts which element belongs in which specific

group, how each of the elements “interact with each other and the overall hierarchy of an organisation” (Accipio, 2018).

Martins and Coetzee (2009:145-146) make the point that, according to Burke and Litwin (1992), “the Burke-Litwin model highlights two distinct sets of dynamics” in an organisation, namely that “one set is primarily associated with the *transactional level*” of human behaviour creating the organisational climate; and “the second set of dynamics is concerned with processes of *human transformation*, amounting to sudden ‘leaps’ in behaviour”. French and Bell (1999) and Jones and Brazzel (2006, in Martins & Coetzee, 2009), submit that “such transformational processes are required for genuine change to take place in the culture of an organisation”.

Within the model, Burke and Litwin (1992) distinguish between transformational factors, reflected in the purple boxes, and transactional factors, represented in the pink boxes. The orange boxes represent “the input to the organisation” and reflect “the beginning and end of the process” within a completed, integrated and connected feedback loop. It also connects “the external environment, and the organisation’s output, individual and organisational performance” with the “external environment represents any forces or conditions outside of the organisation that will affect its processes”, such as consumer/community “behaviour or marketplace conditions”, whilst the individual and organisational performance refers to the overall output or performance of the organisation such as turnover, productivity and/or customer/community satisfaction.

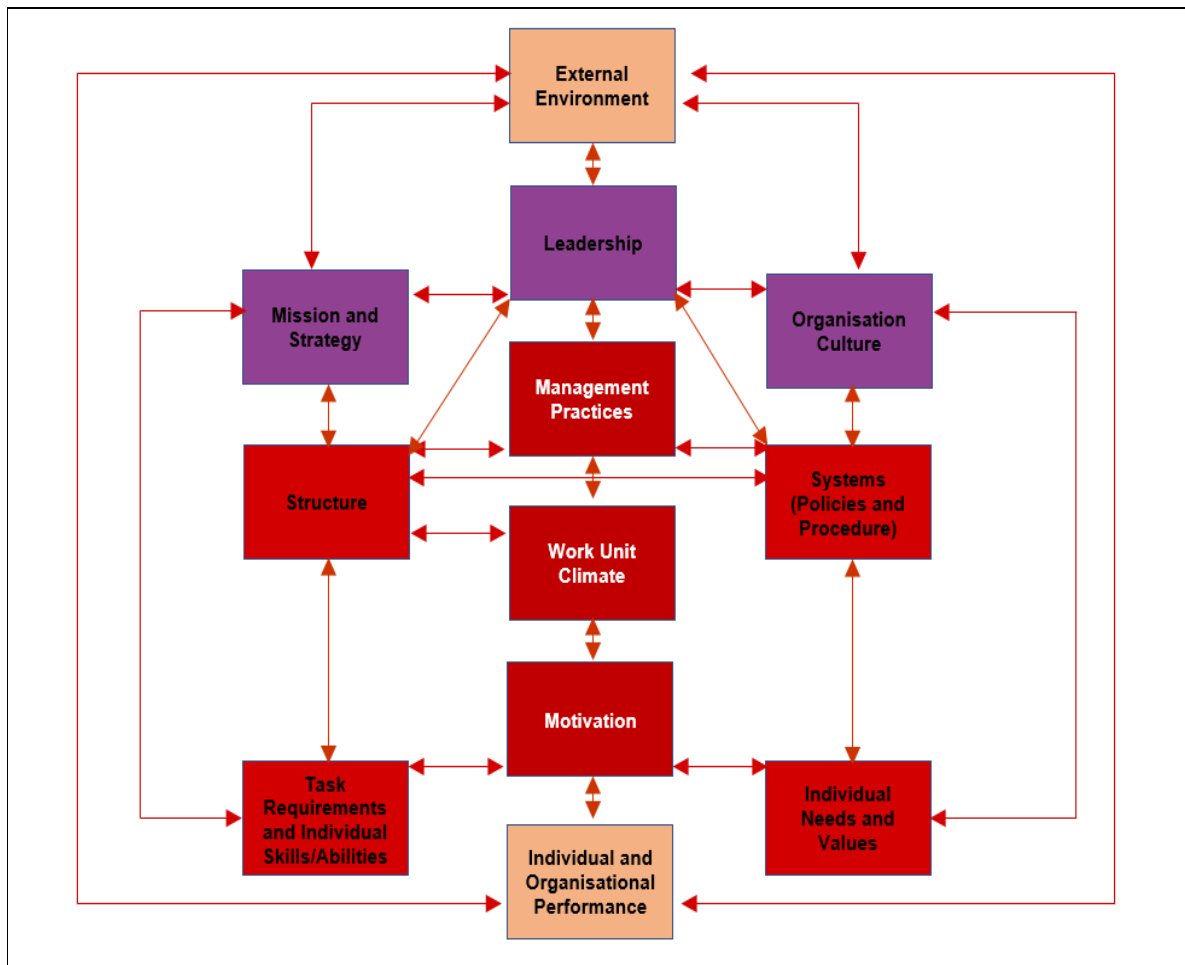


Figure 3.13: The Causal Burke-Litwin Performance and Change Model (1992)

Source: Burke and Litwin (1992b).

According to the SA Journal of Human Resource Management (SAJHRM) (2018, citing Burke & Litwin, 1992), the transformational factors, namely the institution's "mission and strategy, leadership and culture" is affected by and influences the external environment. On the other hand, transformational factors, such as "the organisational structure, systems, management practices and climate", affect the transactional factors. Martins and Coetzee (2009:146), cites Chawane, et al. (2003) who make the point that "both types of factors reciprocate, and eventually impact on, individual and organisational performance and overall effectiveness", creating "a feedback loop: the organisational performance can directly affect the external environment".

Martins and Coetzee (2009:146) explain both the transformational and “transactional factors affecting organisational performance and effectiveness”. The “*transformational factors* affecting organisational performance and effectiveness” include:

- *External environment*: consists of external conditions or situations that impact and influence the performance of the institution and includes factors such as “marketplaces, world financial conditions, political/governmental circumstances, competition and customers”.
- *Vision, mission and strategy*: reflects the beliefs of staff on “the central purpose of the organisation and how the organisation intends to achieve its purpose over an extended period of time”.
- *Leadership*: reflects conduct, particularly from management, “that encourages others to take necessary actions, including perceptions of leadership style, practices and values”.
- *Organisational culture*: is, simply put, “the way we do things around here” and includes a “collection of overt and covert rules, values and principles that guide organisational behaviour and that have been strongly influenced by the organisation’s history, custom and practice”. Results can be transformed by changing beliefs and behaviours in an organisation, which is underscored by the quote from the management guru, consultant and writer Peter Drucker, saying that “Culture eats strategy for breakfast”. In saying this, Drucker (2016) does not mean that strategy is unimportant, but rather “that a powerful and empowering culture was a surer route to organisational success”.
- *Individual and organisational performance*: reflects “the measurable outcomes or results, with their relevant indicators of effort and achievement” and includes indicators such as “productivity, customer or staff satisfaction, profit and service quality, salary and benefits, and recognition”.

(Martins & Coetzee, 2009)

The “*transactional factors* affecting organisational performance and effectiveness” includes:

- *Structure*: is put in place to ensure the implementation of an institution’s mission and strategy and includes the configuration of staff in accordance with the different “areas and levels of responsibility, decision-making authority and relationships”.
- *Management practices*: how management deploys and uses human and material resources “to carry out the organisation’s strategy”, and includes “managerial behaviour, work etiquette, professionalism, planning, communication and control”.
- *Systems (policies and procedures)*: institutionalised standard operating policies and procedures and mechanisms that facilitate work and are manifested in the institution’s performance management, reward and control systems.
- *Departmental/work unit climate*: includes the institution’s shared “impressions, expectations and feelings of the employees in their respective departments”, which affects the relationships between staff and management and other units. “A positive work climate might serve to enhance retention rates, whereas a negative work climate might lead to a high employee turnover rate”.
- *Task requirements and individual skills/abilities*: includes the conduct and behaviour, “skills and knowledge required for task effectiveness”, that enables staff to achieve and deliver on “the work assigned for which they feel directly responsible”. This requires proper ‘job-person’ match or ‘fit-for-purpose’, which “entails elements of recruitment, selection, appointment and promotion”.
- *Individual needs and values*: includes “the specific psychological factors that validate individual actions or thoughts relating to stress, well-being, recreational activities and living conditions”.
- *Motivation*: includes the behaviour “to move toward goals, take needed action and persist until satisfaction is attained from the net resultant motivation” implying “the resultant net energy generated by the sum of

achievement, power, affection, discovery and other important human motives”.

(Martins & Coetzee, 2009)

Martins and Coetzee (2009:146) added ‘equipment’ and ‘working environment’ to the list of transformational and transactional factors that directly affect and impact organisational performance. The ‘equipment’ includes the “tools to do the job and the quality of available technology” whilst the ‘working environment’, comprises the “facilities such as the buildings, offices, staff cafeteria and recreational facilities for staff” (Martins & Coetzee, 2009). Martins and Coetzee (2009:146) cite Burke and Litwin (1992) who propose “that interventions directed at leadership, mission and strategy, and organisational culture produce transformational or fundamental change in the organisation’s culture”, whilst [i]nterventions “directed at management practices, structure and systems produce transactional change”.

3.3.12 The ESP Performance Framework

Fontannaz and Oosthuizen (2007) developed a conceptual framework to guide and provide a systemic view as an alternative approach to sustainable organisational performance and to integrate the various divergent approaches (between management and academia) to organisational performance, particularly within the context of the network economy which is characterised by the challenges of complexity, connectivity and change.

The fundamental changes in the business eco-system and subsequent challenges to traditional management practice, according to Fontannaz and Oosthuizen (2007:13) “raises questions about the relevance of the existing organisational performance approaches in addressing the challenge of complexity, particularly with regard to the validity and reliability of the established performance management frameworks”. These changes have sparked the exploration of an alternative approach to sustainable organisational performance in order to deal with these challenges. This alternative approach includes “execution, strategy and people

representing the ‘ESP’ of organisational performance” model developed by Fontannaz and Oosthuizen (2007).

Whilst the traditional, strategic approach remains relevant and essential in addressing the challenge of complexity, this perspective, according to Fontannaz and Oosthuizen (2007:16) is “insufficient in balancing the challenges of connectivity and change”. To ensure organisational performance, the prescriptive, strategy approach needs to be integrated with the more “composite, people approach to address the challenges presented by increased connectivity and the repositioning of the knowledge worker as a key driver of organisational performance” (Fontannaz & Oosthuizen, 2007:16).

The Performance ESP framework provides a structured approach to informing organisational development to ensure sustainable performance. Whilst financial measures are indicative of current performance, sustainability requires a more composite measure of organisational performance. The Performance ESP framework balances the conflicting demands of profitability and growth by providing a counter measure to the established financial metrics. It also provides a framework for conversational processes to develop organisational performance in emergent enquiry.

The ESP⁵ Framework, according to Fontannaz and Oosthuizen (2007:13) is aimed at addressing the fragmented views of organisational performance by “integrating the alternative process based perspective of execution with the systemic perspectives of strategy and people”. The *execution perspective* presumes an empowered workforce, it provides a process based perspective, which focuses on the process of relating as the unit of measurement, it “addresses the reality that the majority of executive decision making occurs in the *ad hoc*, daily processes that exist in an organisation” and that the “decisions are not limited to a formal, strategy process, following a linear sequence” (Fontannaz & Oosthuizen, 2007:12). Hrebiniak (2005:11) defines execution as a dynamic and adaptive process, which compensates for unanticipated events. He posits that execution is a key determinant of competitive advantage, as “organisations with a sound execution foundation have a sustainable competitive advantage which is difficult to imitate”. The execution perspective or approach

⁵ ESP: Execution, Strategy and People.

contends that it is not possible “to act on an entire system, as the system is made up of individuals, who respond in different ways”, which implies “that change cannot be determined on a rational basis” (Fontannaz & Oosthuizen, 2007:12).

The *strategy perspective*, process or approach “is an everyday occurrence, which is impacted on by everyone within an organisation”. According to Mintzberg, Ahlstrand and Lampel, (1998, cited in Fontannaz & Oosthuizen, 2007:12) this approach refers to the rational, prescriptive approach to building competitive advantage, which determines organisational performance and that “focuses on the formal, rational process of formulation, implementation and evaluation” and “includes the design, planning and positioning schools”. This approach is prescriptive in advocating what must be done by the organisation and is reliant on the underlying assumption of determinism and is found to be effective in conditions of relative stability. However, this approach requires a more composite, people approach to address the challenge of change and transformation.

Bossidy, Charan and Burck (2002:22, cited by Fontannaz & Oosthuizen, 2007:12) “support Hrebiniak’s view and identify that the heart of execution lies at the intersection of the three core processes: people, strategy and operations. Execution is the missing link or nexus between strategy and people”. Fontannaz and Oosthuizen, 2007:11, citing Bossidy, et al., (2002) make the point that “a leader’s job is to integrate strategy, people and execution to ensure organisational performance”.

The descriptive, *people perspective* “to organisational performance”, according to Mintzberg, et al., 1998, in Fontannaz & Oosthuizen, 2007:12), “includes all elements which influence change within an organisation, particularly leadership, culture and values. The people approach includes the entrepreneurial, cognitive, learning, power, cultural and environmental schools of strategic management”. According to Swart (2000:220), the “focus is on change leadership, which refers to influencing others to enact change that will lead to the achievement of a desired future state”.

Fontannaz and Oosthuizen (2007:13) acknowledge that, notwithstanding there being divergent approaches to organisational performance, it does not appear that the approaches are mutually exclusive. There is the potential for integrating the approaches by developing a cohesive, integrative framework guide that will ensure sustainable organisational performance.

The *Performance ESP framework*, illustrated in Figure 3.14 below, consists of four core elements aimed at addressing the question of which organisational approach is relevant for a particular contextual (environmental stability/turbulence and internal agreement/conflict) dimension, making it possible to identify which organisational approach is relevant for a particular context to ensure organisational performance.

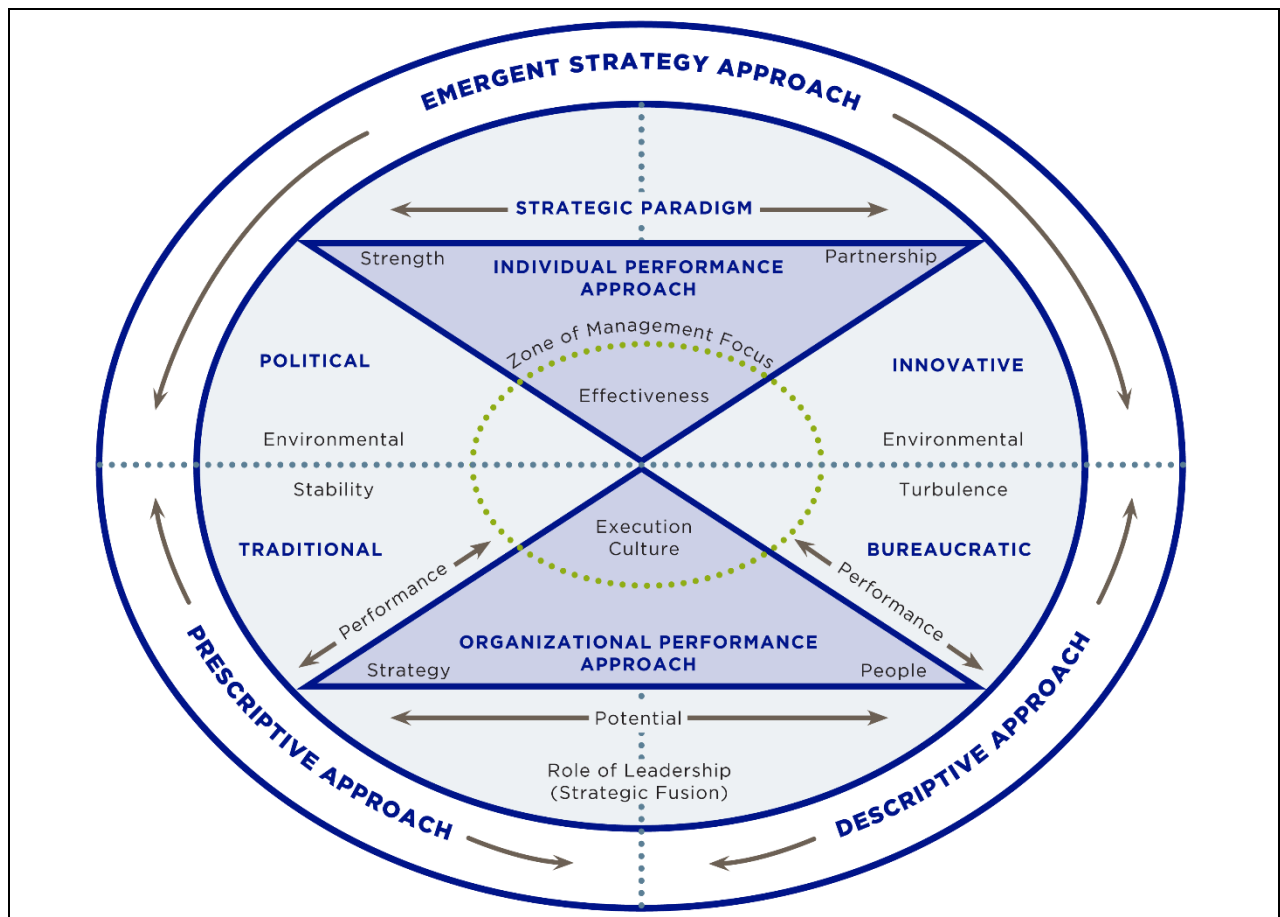


Figure 3.12: The Performance 'ESP' Conceptual Framework

Source: Fontannaz and Oosthuizen (2007:15)

The prescriptive, rational hard 'strategy' approach to organisational performance remains relevant in a traditional environment. In conditions of environmental stability and internal agreement, the prescriptive approach represents the most efficient alternative for achieving organisational performance provided this approach is

customer centric and employs a variety of strategic management analysis tools, to provide a collaborative, “systemic view of organisational performance” (Fontannaz & Oosthuizen, 2007:15).

The integration or the descriptive, social ‘people’ approach, with the prescriptive strategy approach is more relevant as the context experiences greater instability, as it is no longer possible to direct organisational behaviour on a rational basis. The role of leadership is particularly relevant in this context, as it is the leader’s role to contain anxiety within the group and provide confidence in the new way of acting. Without strong leadership, the organisation will become bureaucratic, which will undermine sustainable performance.

In addressing the challenge of complexity, identified as hyper-change, an emergent strategy approach to organisational performance becomes relevant. This approach does not assume determinism (a fundamentally flawed assumption in conditions of hyper-change). However, this approach can only be implemented in organisations where individuals are empowered and exhibit a strategic mind-set to organisational performance (Fontannaz & Oosthuizen, 2007:15).

The ESP Framework is consistent with the three ‘performance dimensions’ model as provided in Sole (2009:3-5). According to Jessa (2012:37), Sole (2009:3-5) offers “a performance management model that serves to measure municipal performance in three performance dimensions”: firstly, the strategic dimension; secondly, the operational dimension; and, thirdly, the team and individual dimension. The strategic dimension “involves the public and politicians in the monitoring and measurement of the effectiveness of the municipalities’ strategic initiatives” primarily for utilisation later in the decision making process. The operational dimension “focus on municipal efficiencies and quality of services and products” with the potential of assessing institutional performance on a daily, weekly or monthly basis. The ‘team and individual level’ dimension focusses on “feed-back to employees, attention to internal accountability and human resources”. It is only when all three elements of the performance dimensions of the Sole (2009) ‘performance dimensions’ model interact systemically and coherently, that organisational productivity (or outputs) is attained and optimised.

These dimensions will be utilised in developing the key indicators informing the local government governance and performance framework (model) to be utilised/applied during the local government case studies, focus group discussions and individual interviews, which will be captured as part of Chapter 6.

3.4 PERFORMANCE MEASUREMENT

3.4.1 Performance Measurement in the Private Sector

According to the Business Dictionary (2018), defining organisational performance from a private sector perspective “refers to the analysis of a *company’s performance* as compared to *goals and objectives*”. In this regard, private sector or corporate organisations measures three primary outcomes, namely *financial* performance (using mainly financial performance data), *market* performance, i.e. to maximise shareholder wealth through allocative, productive and dynamic efficiency (using mainly stock market performance) and *shareholder value* performance (using mainly AFS information, such as dividend yield).

According to the Market Business News (MBN) (2018), in the private sector, “financial performance refers to measuring a company’s operations and policies in monetary terms” to assess “how good a firm’s financial performance is by looking at its return on assets and return on investment” and by gauging “its financial performance by measuring value added”. On the other hand, the MBN (2018) submits that “market performance measures how well a company or product performs in the marketplace” specifically referring to the performance of a “product rather than the whole company”.

The assessment of “how much a company enriches its shareholders” is expressed in the concept, ‘shareholder value maximization performance assesses’ and is deemed by many as “the ultimate organisational performance measure” and considered the top priority of senior management at private sector institutions. Given that the focus of the study is in the public sector, performance measurement in the public sector will inform the remaining part of this chapter.

3.4.2 Performance Measurement in the Public Sector

In measuring and understanding performance measurement in the public sector, it is important to understand the 'set of common terminology' often used in public sector literature that informs the concept of performance measurement in this sector. The literature review is chiefly informed by policy documents formulated from institutions (national and provincial) responsible for this sector, such as the Department of Provincial and Local Government (DPLG), National Treasury, the Auditor-General South Africa (AGSA) and the Department of Performance Monitoring and Evaluation (DPME) in the Presidency. It is important to understand the context, as all of the commonly used terms represent measures of performance, but each term/concept measures different aspects of performance.

It is common practice in public sector performance management literature to talk about concepts such as effectiveness, efficiency, outcomes, outputs, productivity, quality, inputs and economy as these concepts are all underpinned by public sector legislative provisions. In the public sector, these definitions remain key to understanding organisational performance and measurement and lay the theoretical basis for understanding organisational performance and measurement in the context of the chapter. These concepts are explained as follows.

Economy: refers to "procurement and delivery of inputs; human, physical and financial resources; quantity and quality; cost element, timeliness; operational level" efficiency (UNDP, 1997:3).

Efficiency: "optimal transformation (activities) of inputs into outputs, utilization of means to achieve results and objectives, rational use of resources, least costs maximum results/return, activities in perspective of results, work planning and timelines, tactical levels" (UNDP, 1997:3).

Effectiveness: the "extent to which a program or project achieves its immediate objectives or produces its desired outcome, achievements of results, objectives, goals, focus on target groups, beneficiaries, clients, medium and long-term perspective, much more difficult to measure and assess" and is considered on a strategic level (UNDP, 1997:3).

Schierschmidt (2002:9), adopted a range of commonly used definitions from Parker (1993:3) and the DPLG (2001:22), with some key definitions including the following:

- “**Inputs** are defined as the resources that an agency uses to produce services, including human, financial, facilities or material resources”;
- “**Outcomes** are the quantified results, or impacts, of government action. Comparing outcomes to objectives through the use of measures assesses progress”;
- “**Outcome measures** are tools, or indicators, to assess the actual impact of an agency’s actions. An outcome measure is a means for quantified comparison between the actual result and the intended result”;
- “**Outputs** are the goods and services produced” by the organisation;
- “**Output measures** are tools, or indicators, to count the services and goods produced” by the institution;
- “**Efficiency measures** are indicators that measure the cost, unit cost or productivity associated with a given outcome or output”;
- “**Performance indicators** are essentially statements that describe the dimensions of performance, which are considered key performance indicators when assessments and reviews are undertaken”;
- “**Input indicators** refer to economy and efficiency measurements”;
- “**Output indicators** ... measure whether a set of activities or processes yields the desired tangible results” and “are effectiveness indicators”;
- “**Outcome indicators** ... measure the quality or the impact of the outputs on the achievement of the overall objective” and “are impact indicators”.

Impact refers to the change in the standard of living of the target group or (municipal) area given the intervention of the organisation, such as better quality of life and improved or less dependence on the state to move to self-sufficiency and self-reliance.

Measurement or measuring performance is about instilling a culture of accountability – a very important principle of good governance, particularly in the public sector (local government). Denhardt and Aristigueta (2008:107) and Marr (2009:137) make the point that “performance in organisations is measured to be accountable to

stakeholders and improve the performance of an organisation". highlights that Accountability is very important in the South African context of local government performance because accountability is the essence of South Africa's democratic form of government. Accountability involves an obligation to explain or justify actions. The objective of accountability is not to assign blame but to discover why something went wrong, how it can be rectified and how its recurrence can be prevented" (RSA, 2000:24, cited by Schierschmidt, 2002:27).

According to Ndlovu (2015:19, citing Marr, 2009:7), performance "measurement helps public organisations to make better informed decisions and to be more accountable to citizens" and further cites Marr (2009:137) that "organisations use performance measurement as an accountability tool for external reporting and compliance with regulations". Rocheleau (2006:335, in Ndlovu, 2015:19) submits that "it provides an indication of whether an organisation is responsive to the values of its stakeholders".

According to Schierschmidt (2002:28), "[p]erformance management is first and foremost a function that serves accountability. It can be one of the most cost-effective means of promoting transparency and openness in the way governing bodies operate and improves their performance. Public reporting on government effectiveness and efficiency is fundamental to good governance".

According to Laitinen (2002), in order to ensure the successful implementation of organisational strategy, measuring and "improving performance is key to ensuring the successful implementation of organisation strategy and when financial and non-financial measures are included in the same performance model, managers can survey performance in several areas simultaneously in order to facilitate efficient strategic decision making". According to Alkhaldi and Wraikat (2015:5, citing the IT Governance Institute, 2003), a performance "governance model should provide the structure and practices for organisations to do the following":

- "Goals, objectives and expectations are determined (plan and organise);
- Methods that can be used to reach those objectives through enterprise activities and utilization of the enterprise's resources are determined (acquire, implement, deliver, and support);
- "Construct a method for monitoring and reporting performance (monitor and control)"; and

- “Build an efficient structure and sufficient accountabilities for effective governance”.

(Alkhaldi & Wraikat, 2015:5)

According to the IT Governance Institute (2003, cited by Alkhaldi & Wraikat, 2015:5), performance can be measured by applying the following methods:

- “Defining and monitoring measures with management to ensure that objectives are accomplished and to measure performance in order to get rid of surprises”.
- “Leveraging a system of balanced business scorecards maintained by management.”

These methods can be equally applicable to any form of governance model as these models, instituted to measure performance in any area of the organisation, should be concerned with how the particular area within an organisation will have an immense impact on whether the entity will attain its vision, mission or strategic goals.

Ndoluvo (2015:19, citing Kettl & Kelman, 2007:40-41, and Marr, 2009:137) indicates that “governments have limited themselves to measuring and reporting on performance for compliance purposes, and only a few go beyond performance measurement for compliance with performance management” and that, performance measurement, “as an accountability tool, has a punitive connotation, whereas as a performance management tool it can improve performance instead of just complying with accountability”. Further, Ndoluvo (2015:19) makes the point that “measuring performance has the potential of improving the results of government programmes and it can also create an information-driven language to break down the silos that often separate different unit managing government programmes”.

Radnor (2008:96, cited by Ndolovu, 2015:19) suggests “that performance measurement should not be limited to tracking quantitative achievements but it should be about performance culture that is concerned with strengthening organisational performance, application of information to learn and improve”. It therefore remains crucial “to set the right performance objectives, indicators and targets” to gauge whether or not the institution has performed in accordance with set objectives.

3.5 ORGANISATIONAL PERFORMANCE IN THE LOCAL GOVERNMENT SECTOR

Mellahi and Wilkinson (2004:3-4, citing Cameron, Sutton & Whetten, 1988; Weitzel & Johnson, 1989), note that there is no clear decisive definition as to what constitutes organisational failure and the consequences thereof. Noting the consequences thereof may result in downsizing bankruptcy, decline, organisational mortality and retrenchments. The understanding is that, despite the lack of a precise definition of failure, there is an understanding at a general level that failure constitutes a deterioration of an organisation to respond to its respective niche and levels of resources available to an organisation (Cameron, Sutton & Whetten, 1988:9).

In the private sector, performance is determined by the financial bottom line, while in the public sector it relates to the ability or inability of municipalities to provide basic services or functions provided as per the schedules contained in the Constitution of South Africa (Act 108 of 1996).

The lack of consensus and specific criteria and measurement of the exact definition of performance are also often at the centre of organisational failure. An example of resource inadequacy, suggests that despite operational efficiency, an organisation can also be failing. In modern times, according to Cannon and Edmonson (2005), “organisational failures, as indicated by particular measures are nonetheless thought of as opportunities for learning”.

3.5.1 Performance Failures in South African Local Government

The 1998 White Paper on Local Government and the numerous pieces of statutes and policies, most notably the Constitution and the NDP 2030, pronounce that the key responsibility of local government is to improve the lives of citizens. The impact of failure in this regard, often results in consideration that failures exist at the organisational or operational level.

These failures at municipal level have been topical issues for policy development, debates, conferences and academia. Failures include resource and capacity constraints; staff attitude and performance; political-administration and citizen

interfaces; intergovernmental cooperation; as well as vision, goals and target setting (Mnguni, 2016).

According to the University of Cape Town's Professor Tom Koelble, in Mnguni (2016), a lack of staffing, competence and technical capacity to manage departments and divisions within municipalities have been cited amongst the reasons for municipal failures. The National Treasury (2014:20) makes the point that although municipal failures can be attributed "to a lack of capacity, whether it's individual, organisational or environmental capacity", this is by far not exclusively the reason. Municipal performance failings are also due to absolute evidence of personal and professional incompetence, mismanagement, laziness and political interference.

It is contended that the recognition and focus on capacity-only perpetuates current practices to focus remedial actions to address 'technical incapacities', while not addressing the 'softer' issues, such bad behaviour and performance failures and aligning these to longer-term perspectives, such as incentives and sound administration. Some of the ostensible reasons for performance failures will be discussed under a separate heading (3.5.2) in this chapter.

A number of Section 9 constitutional institutions, the National Treasury (NT), Departments of Performance Monitoring and Evaluation (DPME), the Department of Cooperative Government and Traditional Affairs (DCoGTA), the South African Local Government Association (SALGA), the Auditor-General of South Africa (AGSA), the Financial and Fiscal Commission (FFC) and other public and private research institutions have done policy analysis and research on performance failures in the local government sphere.

These have noted under-performance and failure, have done extensive research thereon, and have embarked on strategies to reduce municipal underperformance. It is also cautiously noted that the theoretical constructs of organisational failures or non-performances have been limited and is expected to contribute to the body of knowledge on organisational failures.

Most of these policy analyses and readings have not been approached, cemented or underpinned by a theoretical framework, yet provide a very good understanding of the founded reasons for the many performance failures in local government. These

founded reasons, when overlaid on the theoretical frameworks of organisational performance discussed earlier in the chapter, can easily be matched to some of the discussed organisational performance theoretical frameworks. What follows is a summary, using a policy approach/perspective, of some of the key research findings on municipal performance (failures) by the various key institutions highlighted above.

3.5.1.1 Department of Cooperative Governance and Traditional Affairs (DCoGTA)

Oversight of the system of cooperative government (Chapter 3) and local government (Chapter 7) as enshrined in the Constitution of the Republic of South Africa (Act No. 108 of 1996) is the responsibility of the DCoGTA. This oversight is broadened through the vision of the National Development Plan for South Africa as taken up in its Chapter 13, 'Building a capable and developmental state'.

Achieving the Millennium Development Goals (MDGs) and universal household access to basic services has been the vision of the South African government, post-election in 2009. This vision was supported by, amongst others: "Government Programme of Action committed to build a developmental state, improve public services and strengthen democratic institutions" and includes the priority of intervening, stabilising and supporting local government to fulfil its core mandates. These objectives follow the many failings of local government in delivering basic services to households, in the main throughout urban and rural communities.

To address the many local government failures, a Local Government Turn-Around Strategy (LGTAS) was introduced in 2009. This strategy calls for intergovernmental collaboration to improve local government performance and service delivery.

The State of Local Government Report (SoLGR, 2009:4) serves as a basis for such a turnaround strategy and notes that governance challenges and service delivery challenges remain consistently the main reason for local government underperformance. This Report highlights stubbornly high service delivery backlogs; a disconnect with civil society often because of poor communication, which results in violent community protests; lack of adequate and human resource capacity; and poor administration and governance.

To address these challenges, DCoGTA developed twenty-five indicators as a proxy of municipal performance. Their latest report on the state of local government in South Africa was released in June 2017. It focusses on issues of service delivery, governance, legislative compliance, implementation challenges, as well as support initiatives and their impact.

Key findings of the Report highlight that, although access to basic services has increased over the last ten years, both the population and the number of households have increased. In addition, access to basic services such as energy, water and sanitation have increased; however, a general deterioration and collapse in basic infrastructure delivery is visible, inadequate human resource capacity and poor revenue collection performance coupled with generally bad financial management practices in many municipalities are crippling human advancement and the delivery of basic service.

Almost a decade later, notwithstanding the effort and intervention by various stakeholders, between the 2009 and 2016 State of Local Government Reports most of the challenges remain and some new ones have emerged. Subsequent interventions implemented by DCoGTA, such as the Back-to-Basics (B2B) strategy to improve municipal performance, resonate with interventions such as Project Consolidate; Operation Clean Audit (OPCA); Siyenze Manje⁶, the Development Bank of Southern Africa and the Financial Management Improvement Programme.

Acknowledgement should be given to the fact that the quantum of basic and social services, together with participatory inclusion had been extended to communities. Despite these, notable tasks remain to improve service delivery and permanence of local government to achieve the Developmental Local Government objectives.

The Back-to-Basics approach is premised on five key areas that aim to ensure that people or communities and their needs are centre stage; that financial management

⁶ DBSA (2017). The 'Siyenza Manje', translated as 'we are doing it now', initiative was launched in 2006. It was managed by the Development Bank of Southern Africa's (DBSA) Development Fund, aimed at building capacity at municipal level and "complementing the government's Project Consolidate, which identified underperforming municipalities to provide them with assistance", particularly through the deployment of "experts to municipalities to assist with the implementation of infrastructure projects, planning and financial capacity building". "Siyenza Manje is a partnership between the DBSA, National Treasury, the Department of Provincial and Local Government, and the South African Local Government Association" (SALGA).

and governance and their predictability are ensured; and that adequate and appropriately capacitated human resources are employed to perform their functions and deliver the services. In its baseline assessment of the performance of municipalities, they note areas such as community satisfaction, financial management and governance, as well as political interface, as some of the main reasons for the generally sub-optimal performance of municipalities in the country. DCoGTA concludes that at most one third of municipalities is dysfunctional; one third is functional and have identified areas for further support; whilst the others are at most getting the basics right.

Presidency Zuma, in his speech at the Twenty Year Review⁷ (2014), highlights that service delivery challenges remain and that the provision of basic services includes “improving services such as water infrastructure, solid waste management or the provision of electricity”. He further notes that “services such as refuse removal, the cleaning of the streets, the provision of parks and recreational facilities remain critical to make citizen’s experience of local government a pleasant one”.

One of the key factors impacting the B2B Strategy (2014:9), as noted by the DCoGTA (2018), is that sometimes little recognition is given for positive achievements. It appears that many of the performance systems are fixated on under-performance.

The DCoGTA developed key indicators to more effectively monitor and decide on under and over performance, as well as hold poor performers accountable. These indicators are included in the regulations to ensure that reporting is legislated and that monthly reports are prepared in line with the five pillars of the Back-to-Basics approach. Some of these indicators will be further explored as part of Chapter 6 and when conducting the various municipal case studies to gauge and measure organisational performance.

3.5.1.2 The National Treasury

The overall objective of good financial management practise in municipalities is to improve the sustainability of municipal services. The role of the National Treasury (NT) in this regard relates to improving financial management and the achievement of

⁷ DIRCO (2014). Address by President Jacob Zuma on the occasion of the release of the 20 Year Review: South Africa 1994 to 2014, Sefako Makgatho Presidential Guest House, Pretoria, 11 March 2014.

unqualified audit opinions. It is argued that choosing financial management or unqualified audit opinions is but one indicator of municipal performance.

The NT fulfils its oversight requirements in terms sections 5(2)(a) and (b) of the Municipal Finance Management Act (No. 56 of 2003) (MFMA) by monitoring budgets and promoting fiscal discipline across all 278 municipalities. The application of sound financial management practices across the entire financial management accountability cycle (policy formulation, integrated development planning, multi-year budgeting, in-year performance monitoring and compilation of accountability reporting) will improve audit outcomes.

The National Treasury (2014) makes the point that to develop sound strategies to address municipal performance failures, it is necessary to describe what constitutes a functional, well-performing local municipality in order to have a benchmark against which to measure. In this regard they consider two important dimensions for assessing municipal performance. Firstly, whether the municipality is *performing its functions and delivering on the desired outcomes as set in the Constitution* (Section 152) and, secondly, whether the *political leadership and organisational capacity of the municipality* is of such a nature that it will be able to do so on a sustainable basis.

The National Treasury highlights two dimensions in assessing the performance of municipalities. The first relates to the internal institutional factors, while the second element is a range of external factors that impact on the environment within which municipalities work, i.e. to deliver on the constitutional objectives of local government. It is also noted that challenges in the external environment often impact on issues within the municipality and a framework has thus been developed to understand the root causes of municipal performance.

The State of Local Government Finances and Financial Management Report (SLGFFMR) (2009) attempts to measure the municipal financial performance of municipalities. The Report highlights that very little service delivery progress has been made to improve the financial enabling environment and better accountability and application of the selected performance measures. The National Treasury (2018) report on the state of municipal finances and financial management as at 30 June

2017, shows that 128 (95 in the previous year) out of 278 municipalities are in financial distress⁸. The increase is mainly attributed to the 2016 local government elections.

It is therefore important to note that the performance of municipalities includes financial indicators. This is supported by the findings of the Auditor-General on financial performance and provides a good indication of the state of financial management in municipalities. The disadvantage of this assurance is that it speaks to the history of a municipality and does not indicate whether it is financially viable, heading for financial difficulty or is already ploughed into a state of financial distress.

Initiatives to encourage citizen oversight of provincial and municipal finances include the creation of websites such as Municipal Money (www.municipalmoney.gov.za), launched in partnership with Code4SA and the National Treasury; and Vulekamali (www.vulekamali.gov.za), launched in partnership with IMALI YETHU to provide complementary information on provincial budgets and to find improved alignment in planning and implementation spending. These initiatives will be expanded to metropolitan councils (in partnership with the International Budget Partnership: <https://www.internationalbudget.org>) to be included the Open Budget Index, an international instrument that assesses transparency and accountability for public funding and spending.

According to SA News (2018), South Africa's efforts to deepen transparency in public financial management processes have been extensively recognised internationally:

- “In the 2017 *Open Budget Index* (OBI) survey, out of 115 countries, South Africa has been ranked first – a position shared with New Zealand. South Africa has consistently rated in the top three since it held the first position in the 2010 Open Budget Index”. The OBI survey assesses the availability and comprehensiveness of eight key budget documents and “examines the extent of effective oversight provided by legislatures, independent fiscal institutions and the supreme audit authorities, and the opportunities available to the public to participate in national budget processes”.

⁸ The National Treasury (2016/2017) uses the “term ‘financial distress’ very deliberately instead of the words ‘financial crisis’ (which appear in Section 139 of the Constitution and Section 139 of the MFMA because this report is only intended to provide an initial indication of which municipalities may be approaching financial crisis”.

- The 2017 Mo Ibrahim Index of African Governance (IIAG) ranked South Africa sixth overall in Africa from fourth in 2015, fourth in Sustainable Economic Opportunity and first in the category of Public Management. The IIAG (2018) “is a tool that measures and monitors governance performance in African countries”, measured across four key components: safety, “rule of law, participation and human rights, sustainable economic opportunity, and human development”.
- The World Economic Forum’s Global Competitiveness Report 2016 - 2017 ranked South Africa 47th out of 138 countries. It noted areas of excellence in local government as the strength of auditing and reporting standards (1st) and quality of roads (29th). However, the World Economic Forum’s report highlighted areas of poorer performance, including wastefulness of government expenditure (88th), public trust in politicians (109th), perceived favouritism in decisions of government officials (115th), quality of electricity supply (112th) and the burden of government regulation (106th).

3.5.1.3 The Auditor-General of South Africa (AGSA)

The functions of the AGSA are enshrined in Chapter 9 (sections 181 and 188) of the Constitution of the Republic of South Africa (1996). The AGSA is also regulated by the Public Audit Act (No. 25 of 2004).

The AGSA (2017) is considered the authority on the audit of financial (for improvement or regression to key controls, risks, management quality and leadership, key vacancies, skills, business processes, and so forth) and non-financial reports (primarily measures, according to AGSA (2017-18) (2019:6) “actual service delivery against the performance indicators and targets set for each predetermined performance objectives as defined in IDPs and/or annual SDBIPs, and to report on this in their APRs”) in the public sector and public institutions in the country.

Setting the correct objectives that are outcome-oriented and linked to the constitutional mandate, as set out in Section 152 remains key if municipalities wish to make an impact by addressing the many service delivery and developmental challenges faced by the people. Mr. K. Makwetu, after releasing the AGSA 2015-16 MFMA General

Report (audit outcomes) for municipalities, emphasised that accountability for the management of municipal affairs; appropriate planning focused on citizen needs; implementing relevant internal controls, supervision in support of sound financial and performance management are key to turnaround of the current negative state of financial governance and institutional performance in municipalities. In his Report, Mr. Makwetu highlighted that many challenges that manifest can be attributed to poor leadership and failure to instil a culture of ethics and integrity; inability to comply with legislation and the establishment of internal control measures; and the recruitment of appropriate human resource capacity within the municipal space. In his concluding remarks, Mr. Makwetu noted that there is a need for greater relationship management and cooperation amongst stakeholders to address the challenges highlighted above (AGSA Report, 2017:131).

According to Mr. Makwetu, treasuries and governance departments (Department of the Premiers; Local Government and DCoGTA) have an oversight role to play in municipal coordination and enforcement of good practices in implementing and capacitating the performance management and budgeting systems. These are believed to improve planning, budgeting, monitoring and the reporting of service delivery objective achievements. The introduction and recent approval of the Public Audit amendments aim to bring about greater accountability and consequence management (Public Audit Act, No. 25 of 2004).

3.5.2 Root Causes and Factors Leading to Organisational Performance Failures

Organisational performance is a factor of complex and diverse sources, internal or external to municipalities, according to the National Treasury, the DCoGTA, the AGSA and Jessa (2012:29). They highlight that, despite improvement in methodologies and tools to measure municipal performance, “resources or capacity may be inadequate and the instruments (tools) employed to measure performance might be inappropriate” (Jessa, 2012:29). Factors such as the non-commitment of management and stakeholders’ attitudes and culture also contribute to municipal organisational failure.

It is the view of Armstrong, et al. (2000:16-17, cited by Henkin, 2002:32), that situations or systemic factors play a “greater role in affecting the performance of individuals”. He

highlights that the environment or circumstances in which an organisation and the individual operate should also be considered when assessing an individual's performance.

Armstrong, et al. (2000) note that an employee's performance is a factor of established systems, processes, human resource systems and management awareness, decisions and actions. This implies that an employee has little control over his performance and that it is dependent on management and major systemic changes on work systems (Beardwell, et al., 2001, cited by Henkin, 2002:32).

Viedge Van Dijk (2007, in Jessa, 2012:29) notes that organisational performance failures could be attributed to a misalignment between individual employee goals and that of the organisation; no clearly defined managerial roles, which could lead to no clear organisational outcomes; lack of service excellence or delivery culture; non-credible performance reward systems; and opposing interests of various stakeholders or customers.

Armstrong, et al. (2000, in Henkin, 2002:32) highlights that employee performance is impacted by leadership (the ability to provide direction, support and guide staff); personal factors of the individual (skill competence commitment and motivation); work systems (work flow processes and constraints); and the situation or environment within which an employee operates.

Mnguni (2016), in respect of local government (municipal) failures, highlights various contributing factors, ranging from the constitutional provisions, electoral system, staff capacity, the inability to impose corrective action as may be required when failures occur; political leadership and will; ill-directed funding; and the lack of communication with and engagement of communities.

Financial management, control and reporting are considered key elements or indicators of municipal performance and are subject to the Auditor-General's assurance that reporting on these are complete, accurate and verifiable. In cases where the AGSA are unable to provide this assurance, no provision is made in Law, does not have 'teeth' (despite being a Chapter 9 of the Constitution, body do not have any mechanism to enforce corrective actions) as its reports are submitted to minister's and mayors (councils, cabinets and provincial legislature) who could choose to do

nothing. It is hoped that the Public Audit Amendment Act will address these and that consequence management be enforceable.

It is also noted that the constituency based electoral system, adopted by the South African Constitution, provides for a misalignment of accountability of elected officials to communities. Citizens elect a political party to govern them that, based on proportional representation deploys political leadership to any constituency it so chooses. This allows for the decision to deploy or recall politicians, based on party choice and not on whether they have performed or not performed.

Mguni (2016) refers to Professor Emeritus Christopher Thornhill of the University of Pretoria who coined the phrase 'political-administrative interface' to highlight the overlaps and impossible separation of the two facets. "In South Africa, divisions between politics and administration as delineated by legislation are not being respected" (Mguni, 2016). Mguni (2016) makes the point that in many cases the mayor and "the municipal manager belongs to the same political party" and often "the latter, who is also the council's chief accounting officer, may find him or herself drawn into political considerations ... the disbursement of funds".

The implementation of the Municipal Systems Amendment Act of 2011 was to ensure that municipalities attract competent staff and that there is a separation of the political leadership and competence to perform tasks within municipalities. Despite the provisions in the amendments and regulations, observations suggest that past practices of not having appropriately qualified staff (municipal manager, chief financial officers and appropriately or suitably qualified senior managers), who are able to perform key leadership tasks remains a challenge. This is attributed to cadre deployment (only willing to take ill-informed political direction) and inability of local government to attract appropriately qualified staff.

These decisions also resulted in the inefficient use of municipal resources as they must appoint staff and consultants to perform tasks, which may have been reasonably expected from staff (because they are being paid, based on their levels of competency).

Mguni (2016), in his article in the Rand Daily Mail, makes the point that a critical example of where consultants are used is to draft the Integrated Development Plan

(IDP) – “a five-year detailed plan on development priorities for a municipality”. The IDP is a legal requirement and is often outsourced. Mguni (2016) makes the point that IDPs “are linked to the municipalities’ budgets and all relevant stakeholders within their jurisdiction, including contractors, suppliers and residents, should be involved in their formulation. However, since they are often formulated by external consultants who are not accountable to citizens, members of municipal councils are not usually full custodians of their IDPs”.

The ‘ownership’ of the IDP and the relevance thereof is often an issue that is at the root of dysfunction within municipalities and argued about amongst others. Mguni (2016), in his article highlights that “Mr. Zwelinzima Vavi, former Congress of South African Trade Unions secretary-general, calls it “a growing social distance between leadership and our mass constituency”. This is because senior managers are not able to engage communities on, and communicate, the IDP because a consultant drafted the IDP or because they do not have adequate knowledge or skills.

In 2012, “Dr. Mamphela Ramphele, a senior academic – and, at the time, a prospective politician – observed that the country needed an active citizenry to mobilise citizens to voice their rights and exercise their responsibilities” (Mguni, 2016). Where communities have no further recourse, “poor or marginal communities who experience official obfuscation or poor service”, often resort to protest action (Mguni, 2016).

3.6 CHARACTERISTICS OF HIGH PERFORMANCE (EFFECTIVE) MUNICIPALITIES

According to the Centre for Organisational Design (2018), high performance organisations (HPOs) are defined as organisations that can align processes, structures and systems to achieve outstanding outcomes. These HPOs achieve financial and non-financial outstanding outcomes and, in most cases, often exceed exceptional results when compared with peers or optimal organisational performance.

Evaluating efficiency and effectiveness, and adaptability to a changing environment are strategies to insure continued growth and development of an organisation. Included are also addressing issues such as “leadership; decision making and structure, people, work processes and systems, and culture” (Pedraza, 2014).

Organisations that achieve superior results, have met their customer expectations and have employees that are engaged, are considered HPOs, according to the Centre for Organisational Design (2018). The Centre highlights that the actions of HPOs are underpinned by principles that support the following: the vision and strategy is understood by every member of the organisation and guides their day-to-day decision making; they acknowledge that people are their greatest asset, making sure that they are given adequate information, skills and understanding of each of organisational process, and that organisational processes have been streamlined to align to the organisational strategy, they have appropriate delegation to make decision, solve problems and resources to do their job; work is designed for the entire process, rather than a narrow focus on job descriptions; people in the organisation have shared ideology, which guides them as opposed to rigid policies and procedures; and that management roles are clearly delineated to provide resources, solve day-to-day challenges and there are supportive environments for effective teamwork.

The Centre for Organisation Design (2018) developed a High Performance Organisation Framework that, if applied with discipline, could lead to “a distinct and lasting improvement effect”. They contend that the framework provides a scientifically robust structure that can be adapted to suit any organisation and, if modified to suit organisational circumstances it will lead to organisational performance.

To quote, Huw Owen, CEO of Ark Data Centre (in De Waal, 2012:28-29): “If your company is an HPO it will all be easier, more efficient, and more effective sailing. You will always have issues; however, these will be issues that you will be capable of dealing with. If you are not an HPO, if you are not well aligned, if you don’t have a common foundation, if everybody doesn’t know where they are going and don’t feel valued, people will not go the extra mile. As an HPO, you have got the ability to do an awful lot more than a non-HPO. Because people will step up and they will do more when required. So it means that you have got more agility, are more responsive, have got more fuel in your tank. If you have an underperforming business where people are frustrated and bitter, they will do the bare minimum that they can get away with to get their pay check and go home. Which means that you are less agile and less effective. As a high performing business you have got a far greater chance of ploughing through the challenges with a minimal amount of disruption”.

De Waal (2012:29) provides some distinguishing factors, techniques, methods and activities that organisations, such as municipalities, can apply to become high performing. These in summary deal with creating a clear vision; good leadership that is willing to focus its efforts on service, develop the requisite human resource capacity and competence; dealing with incompetence, reorganising and ensuring appropriate organisational structures; and improving listening skills and two-way communication.

Considering assessments from the National Treasury, the DCOGTA, the AGSA (audit outcomes), the findings of other studies and assessments from rating agencies (Municipal IQ) and banks, according to the ICLD Swedish International Centre for Democracy (2018), “there are South African municipalities that perform well; sometimes they perform very well”.

In conducting work for the Swedish International Centre for Local Democracy, Siddle and Koelble (2016:55) were able to interview administrators and politicians from many municipalities. They highlight that the appointment of strong political leadership is key to advancing the concept of a performing municipality and it is the task of the elected political party to appoint these politicians. They conclude that the failure to appoint competent politicians has been a major contributor to municipal failures.

At local level there are many issues over which political parties could collaborate, despite being in competition, but have failed to do so. One possible area for improved collaboration is via the appointment of staff, other than those of a politico-advisory nature. This is particularly relevant to the appointment of municipal managers and other senior staff members.

The ICLD Swedish International Centre for Democracy (2018) submits that “[g]etting the basics of management right is crucial. Care should be taken to ensure that even routine procedures are properly carried out and properly supervised. Administrative and other policies are devised and adopted by councils for a purpose, namely, to provide guidance for management in the achievement of municipal objectives”. They make the point that the policies should be implemented and carried-through and not be “allowed simply to gather dust”. In the event that the policies are inappropriate, maybe due to it having been poorly conceptualised or have become outdated, such policies must be reviewed and adjusted when and where required.

According to Siddle and Koelble (2016, for the Swedish International Centre for Local Democracy, ICLD), “municipalities should strive for compliance with legislative and regulatory requirements, even if it is difficult to do so”. Where the demands “of compliance seem unreasonable, it is not for municipalities to ‘cherry pick’ those requirements which they find it convenient to adhere to, and to ignore others” (Siddle & Koelble, 2016). From a good governance perspective, it is imperative the municipalities institute the necessary processes and control to “[e]nsure accountability at all levels and that codes of conduct for staff and councillors should be properly applied”, municipalities must ensure and guarantee that proper consequence management processes are institutionalised to address poor performance and misconduct, whether the transgressor is a staff member or a councillor (Siddle & Koelble, 2016).

In the interest of the citizens, Siddle and Koelble (2016, for the Swedish International Centre for Local Democracy, ICLD) emphasise that it is key to foster good relations with higher levels of governments, “even if they are not run by the same political party”. Even more important, “ensure good relations with the community, and be responsive to their needs (and not only when elections are approaching), whilst at the same time remembering that municipalities have obligations which, although they might not always be popular to enforce, such as debt collection, are essential to adhere to. Do not make unrealistic promises” (Siddle & Koelble, 2016). “Stick to the municipality’s mandate. Ideally, only those functions which a municipality is clearly mandated to perform in terms of the Constitution or legislation” should be prioritised and performed (Siddle & Koelble, 2016).

3.7 CONCLUSION AND SUMMARY

This chapter explored the key concepts and various definitional issues informing the understanding of organisational performance, both from the private- and public-sector perspectives. Concepts such as ‘organisation’, ‘performance’, ‘effectiveness’, ‘performance management’ and ‘performance measurement’ were included in the analysis, as these concepts form the basis of organisational performance, particularly its relevance to local government. Many similarities and contradictions between the various studies on the subject matter were found; mostly caused by different

understandings of the key concepts and measurement approaches of organisational performance. However, there are key dimensions that come from the concepts of organisation, performance, performance management and performance models that are useful for the service delivery context of a municipality

Organisational performance at both a conceptual and operational level were explored. The essence of the chapter covered the various organisational performance theoretical frameworks and models, starting with a basic 'input-output model', extending to very sophisticated 'input-activities-outputs-outcomes' organisational performance models. No less than 12 organisational performance models and theoretical frameworks were analysed, each providing a different approach to the concept. As a collective these provided the research with some key points and indicators that will inform the 'local government governance and performance model' (Malila model).

Performance measurements, both in the private and public sector, including the various definitional issues in the public sector, were explained. It was important to understand the viewpoints from the various oversight institutions in the public sector tasked with monitoring performance of municipalities. The chapter also addressed this matter.

The chapter further explored reasons, root causes and factors leading to performance failures and concluded with an exploration of the characteristics and critical success factors of high-performance organisations and municipalities. These indicators will assist in the conceptualisation and development of the "municipal governance and performance model/framework" that will assist municipalities to build sustainable institutions able to deliver on service delivery obligations, needs and the requirements of communities, as set out in the Constitution of South Africa.

In summary, the models presented earlier in this chapter are multidimensional and range from process driven to logic-, quality- and systems-driven. The strategy and results parts of performance were also highlighted and unpacked. Accountability and transparency are key in creating public value in municipalities and for enhancing overall municipal performance.

CHAPTER 4: LEGISLATIVE AND REGULATORY FRAMEWORK OF LOCAL GOVERNMENT IN SOUTH AFRICA

4.1 INTRODUCTION

The main objective of this chapter is to explore the complex legislative, regulatory and policy arrangements of the local government functional system and framework within the context of the overall intergovernmental relations system of South Africa. The analysis will cover the history and origin of the local government system in South Africa, its evolution (pre- and post-1994), as well as key policy developments. This information will be supplemented by a range of key concepts and definitions relevant to understanding the local government environment, and which will inform both this chapter and the overall research.

The local intergovernmental relations system and functional framework as contained in the Constitution of the Republic of South Africa, 1996 (the Constitution), the White Paper on Local Government (1998) and associated enabling legislation, will lay the basis for understanding the legislative and policy environment informing local government performance. This will inform the development of the good governance and performance model, as set out in Chapter 6.

This chapter elaborates on the powers and functions of local government and touches on the fiscal arrangements to gauge the extent to which it has been possible (or not) to align the local governmental fiscal and functional (service delivery) frameworks. The analysis of relevant and significant legal, regulatory and policy frameworks as these relate to organisational performance and oversight institutions, particularly in local government, will be covered in Chapter 5. Annexure 2, Annexure 3 and Annexure 4 are relevant to this chapter as it provides a more detailed breakdown of the full quantum of local government powers and functions (Annexure 2) and the division between local and district municipalities (Annexure 3), as well as the Bill of Rights (Annexure 4) and its applicability to local government.

4.2 LOCAL GOVERNMENT IN SOUTH AFRICA: HISTORY, KEY CONCEPTS AND DEFINITIONS

4.2.1 The History of Local Government in South Africa (Pre-1993 to Post-2000)

The evolution and transformation of local government in South Africa occurred over a long period of time, stretching from around 1662 to the early 1990s. During this period, the face of local government was shaped by the political ideologies and views of the reigning authorities. Local government in 21st century South Africa was also formed by the advent of a new dispensation brought about by the Constitution of the Republic of South Africa, 1996. It is of particular importance to understand the historic role played by local government in the formation and perpetuation of local separation, apartheid, discrimination, injustice and inequity, as well as the negative impact these had on municipal institutions and human development. According to the Department of Provincial and Local Government (2008), equally significant is the history of the struggle and fight against pre-1994 apartheid laws, particularly at local level, which laid the basis for a new era of local government following South Africa's transition to a democracy post the 1994 elections.

The Nelson Mandela Metropolitan University (NMMU): Centre for Law (2015) summarises and describes the various stages of local government evolution from 1682 to early 1990 as follows:

- **1682:** The early days of the first local community government (*landdrost*⁹ and *heemraden*¹⁰) established by Dutch authorities in Stellenbosch.
- **1836:** The British colonial government's introduction of a system of elected boards comprising of commissioners assisted by ward masters (*wykmeesters*). This was later replaced, in terms of the Municipal Ordinance (Cape) of 1836, by an elected council with an appointed mayor and town clerk. The Cape Legislative Assembly governed Natal, so the Ordinance was also applied in that territory.

9 Merriam-Webster (2019). 'landdrost' meaning "a Boer magistrate in a rural district of South Africa prior to the establishment of British administration".

10 Merriam-Webster (2019). 'heemraden' meaning "a council assisting a local Boer magistrate in the government of rural districts in South Africa prior to the establishment of British administration".

- **1909:** The Union of South Africa, with four provinces and provincial councils, was given the powers to legislate on local government by the South Africa Act of 1909. Ordinances that created municipalities, divisional councils (such as the Cape Divisional Council), local and village management boards and councils, health committees and town boards were enacted in all four provinces. Segregation was simultaneously introduced and laid the basis for the apartheid era of the 1950s to the early 1990s.

Section A of the 1998 White Paper on Local Government (the White Paper) provides a more comprehensive historic context and analysis of the South African local government system, particularly between the 1960 apartheid and segregation period and the 1994 democratic and constitutional era.

The apartheid system left a negative impact on South Africa's housing and community settlements, as well as on local government institutions. Koma (2012:1) makes the point that the initiation of apartheid or segregation practices in South Africa at the time did not mark the commencement of geographical, institutional and social exclusion and separation at municipal level, as "segregation was already a policy by the time apartheid was introduced in 1948".

Koma (2012:1) highlights that the Group Areas Act, a significant piece of apartheid law, "instituted strict residential segregation and compulsory removal of black people to 'own group' areas" by spatially separating people based on race, "influx control, and a policy of own management for own areas" at municipal or local level. According to the White Paper (1998), this control was introduced to some extent to "compensate for restricted rights and to bolster the political and economic privileges of racial exclusion". In this way, the apartheid government controlled the permanent occupancy and residence of inner-city areas through the enforcement of a permit or pass system applicable for non-white South Africans.

In addition, Koma (2012:2) explains that through legislation the apartheid system limited the degree to which rich and well-off 'white municipalities' would be responsible for, or carry, the financial and economic drain of servicing the poor, underprivileged

and disadvantaged black areas. This “reserved a viable municipal revenue base for white areas by separating townships and industrial and commercial development” (Koma, 2012:2).

In Bantustans (areas set aside specifically for black inhabitants of South Africa) service delivery was limited by legally restricted and inadequate local government powers. In zones with communally owned land, traditional and communal leaders were given the control and authority over development matters, land sharing, allocation and distribution. Some small rural settlements and communities, the ostensible ‘R293 townships’, were permitted to have their own administrations, but without tangible powers or control. Some of these administrations include the following:

- Coloured and Indian management committees were constituted in the 1960s, but only as recommendation advisory bodies to white municipalities. The 1971 Bantu Affairs Administration Act recognised administration boards for township communities, which in essence removed accountability and obligation for black or African township settlements and communities from white municipalities.
- Community councils were established in 1977 as elected bodies having limited financial and other resources and no significant powers. These community councils never attained real political credibility and authority.
- In 1982, these community councils were substituted by black local authorities, still without any substantial financial resources and own revenue base. From the start these black local authorities were not recognised as politically authentic and, according to Koma (2012:2), they “were rejected by popular (and sometimes violent) community mobilisation in the mid-1980s”.

It is clear that, although the above forms of ‘own local government’ recognised the permanent existence of black people in urban areas, their design and establishment was intended to reinforce and emphasise the apartheid government’s policies of separation by race and economic exclusion. In black areas, financial shortfalls were built into the local government fiscal framework. This was exacerbated by the apartheid government regulations banning most retail and industrial developments in

black areas, which limited the tax revenue raising potential in these areas as inhabitants and retailers in black communities were required to spend most of their money in white areas. In this way the apartheid government ensured that municipalities in black areas were disadvantaged and deprived of financial means to meet the developmental needs and requirements of local residents. In essence, the system at the time guaranteed that these forms of 'own local government' had limited to no financial resources to make any impactful difference or transformation in the quality of life of their residents.

The 1998 Local Government White Paper highlights that historically in urban (or non-rural) South Africa, most local government and municipal revenue was self-generated and mainly sourced from property taxes and service delivery charges to residents and businesses. This historic practice predominantly suited white municipalities, which were mainly populated by small communities and insignificant service delivery areas. However, unlike black rural areas these white municipalities had large concentrations of financial and economic tax revenue bases.

Within rural or non-urban areas, racial discrimination and separation were equally evident in that basic municipal or local government services, such as water and electricity, were provided to white inhabitants in rural (non-urban) areas at massive cost to municipalities, while limited to no regard was given to the basic services requirements of the majority rural (non-urban) population. This was a recipe for disaster, signalling an inevitable collapse in the system as citizens, societies and community organisations started to organise and rally against the apartheid system of government, shaking its fundamentals and directives.

As part of the uprising in the early to mid-1980s there was a concerted effort to reject black local authorities as part of a call by communities to improve the socio-economic conditions in black communities and Bantustans, and to address the social injustice created as a result of the way human settlements were spatially and economically distorted. The mid-1980s were marked by a range of systematic, yet carefully planned consumer boycotts of rents and service charges, forcing the hand of the apartheid government in the late 1980s to develop and introduce ad-hoc intergovernmental grants as a redistribution mechanism to redirect and channel more funds to black

disadvantaged areas and collapsing townships utilising regional services councils and joint services boards.

The White Paper (1998) makes the point that most of these initiatives were viewed, particularly by black communities, as ‘too little too late’ as many black townships and homeland rural areas were, by the late 1980s, deemed to be effectively ungoverned. This clearly demonstrated that black local authorities, created by the apartheid system, would never be feasible nor sustainable and led to the recognition that a new local government system and arrangement was needed as a response to the crisis. Given the financial and economic impact of rent and consumer boycotts, particularly on the white municipalities’ tax revenue base, negotiations and talks were initiated between white municipalities and township representatives to end the impasse. These particularly focused on the fact that black residents were legislatively excluded from a substantial municipal tax revenue base, a matter that was required to be addressed through national legislative reform. The formation of the national Local Government Negotiating Forum provided a platform through which these national legislative reforms were to be addressed, particularly pushing the aims and agenda of the commonly known ‘One city, one tax base’ initiative. In essence, these negotiations and talks laid the foundation for the current system of local government.

The constitutional era was introduced by the Interim Constitution (Act 200 of 1993) and the Local Government Transition Act (No. 203 of 1993) (LGTA). It commenced with the introduction of negotiating forums tasked with the establishment and selection of provisional or interim councils to administer and govern until democratic elections could be held. After the first democratic elections, transitional local government bodies were introduced throughout the entire South Africa. The LGTA succeeded in successfully deracialising the system and structure of local government through the unification and consolidation of earlier racially based structures.

According to the White Paper (1998), the inauguration of the final 1996 South Africa Constitution “heralded a new legal order in which the constitutionally recognised status of local government was reconfirmed”. The process of transition was, however, not yet complete – extensive statutory measures were necessary. In this regard, the 1998 White Paper on Local Government established the basis for a much needed new

developmental local government system and paved the way for new local government legislation within the parameters of the South African Constitution.

Historically, many municipalities in the country were centred around main towns, suburbs and settlements and the municipal boundaries did not extend meaningfully outside the edges of those areas, resulting in some large, mainly rural (non-urban) areas in South Africa effectively having no real sustainable revenue and tax base. This weakened those areas' ability to have their own legitimate municipal level of government. However, the Constitution of the Republic of South Africa (the 1996 Constitution) requires "that the local government sphere consists of municipalities established for the whole area of the country, introducing for the first time, wall-to-wall municipalities so that the full territory of the country is covered by municipalities".

The 1996 Constitution introduces a drastic departure from the way government, and in particular local government, was structured in South Africa before 1994. The most important changes from a local government perspective are:

1. Reverting from a system of parliamentary supremacy to one of constitutional supremacy;
2. Embracing local government as integral and wholly part of the government system in South Africa; and
3. Conferring original power on local government.

The final stage of the transformation process in local government commenced with the general municipal elections in 2000.

According to Venter, et al. (2007:110), pursuant to the changeover to democracy in 1994, initial focus and emphasis was on policy development, followed by an implementation and application phase of these developed policies. Venter, et al. (2007:110) makes the point that "as the new democratic local government dispensation developed, it became crucial that the monitoring and evaluation of the implementation of these policies be undertaken, which resulted in the further development of performance management science in local government".

According to the Financial and Fiscal Commission (2012:11), before 2000, 843 municipalities existed in the country, which comprised quite a few provisional or transitional municipal councils from the erstwhile homeland areas. Pursuant to a demarcation process introduced in the year 2000, 284 wall-to-wall municipalities were established in the country incorporating all municipalities and the former homeland areas, ensuring that the entire country is covered by self-governing councils. A further demarcation process, initiated in 2005, ensured the full geographic alignment of all district and local municipalities to a specific province, resulting in the 284 municipalities being divided into six metropolitan areas (category A), 231 local municipalities (category B) and 46 district municipalities (category C). Subsequent to local government elections in 2011, the 284 municipalities established in 2005 were, through a further amalgamation process, reduced to 278, which incorporates an additional two metropolitan (category A) municipalities, one each in the Eastern Cape and Free State provinces.

Chapter 7 of the Constitution provides a broad framework for the functioning of local government and sets about prescribing or permitting national legislation on a number of topics impacting on the local sphere of government. The first national Act to be so enacted in terms of Section 162 of the Constitution, was the Organised Local Government Act (No. 52 of 1997). The way in which organised local government was to play a significant role in related matters is clearly outlined in Section 8 of the Local Government: Municipal Demarcation Act (No. 27 of 1998). For example, through being part of a selection panel for appointing members to the Municipal Demarcation Board, which makes representation on legislation that affects the status, institutions, powers or functions of local government, as set out in Section 154 of the Constitution.

Other enactments were initiated by the government's policy formulation on local government, as set out in the White Paper on Local Government (White Paper), published on 9 March 1998. The White Paper is widely looked upon and referred to as the 'mini-Constitution' for the local government sphere, given that it does not specifically or exclusively address a sectoral policy or strategy, but rather encapsulates and deals with an entire sphere of government and affects all South Africans. The former Minister responsible for Provincial Affairs and Constitutional Development, Mr. Mohammed Valli Moosa, in the foreword to the White Paper (1998), makes the point that "local government is the sphere of government that interacts

closest with communities, is responsible for the services and infrastructure so essential to our people's well-being, and is tasked with ensuring growth and development of communities in a manner that enhances community participation and accountability".

According to the introduction or executive summary of the White Paper (1998:8), developmental local government means a "local government system, which is committed to working with citizens, groups and communities to create sustainable human settlements which provide for a decent quality of life and meet the social, economic and material needs of communities in a holistic way". Developmental local government also aims to advance the quality of the lives and environments of citizens and communities, focusing particularly on those that are most, or have often been, marginalised or excluded, such as the disabled, women, children and the poorest and most vulnerable people. Some municipalities, according to the White Paper (1998: section B) "face great challenges in promoting human rights and meeting human needs, addressing past backlogs and problems caused by apartheid planning, and planning for a sustainable future". These challenges can only be addressed if municipalities, communities, citizens and businesses work together, following a whole-of-society tactic in adopting a developmental government approach to achieve the many service delivery objectives and challenges.

The 1998 White Paper was developed against the backdrop of the local government system of its time, which featured the following:

- Major service delivery infrastructure inequalities, mainly as a result of the apartheid local government regime and the realisation that a new institutional framework is required to enable the delivery of the new municipal mandates;
- In order to give effect to the new vision and development role identified for local government, legislative reform and review is required to address, rationalise and overhaul inherent legal shortcomings and lacunas in existing statutes that support deep-rooted apartheid local government systems; and
- Enhanced and new capacities and capabilities, attitudes and approaches are required to respond to the developmental role of local government,

which requires a different partnering and relationship (co-creation) approach between councils, management, administration, other employees, and citizens or communities.

The 1998 White Paper lists the challenges that will need to be addressed as part of moving towards a new local government system. The authors of the White Paper (1998: Section A) acknowledge that the “new local government system needs to build on the strengths of the current system” and that “equally it needs to address its weaknesses, and build the capacity of municipalities to address the considerable challenges they face”.

The policy context of the White Paper (1998) highlights that at the time South African municipalities faced the following major challenges:

- Human settlement patterns that were not integrated;
- Disproportionate concentrations of billable financial and economic resources and tax bases;
- Major frontline and basic service delivery infrastructure backlogs, particularly in historically previously disadvantaged and underdeveloped areas;
- The absence of sustainable and financially viable municipal institutions allowing densification of rural settlements;
- Apartheid spatial planning practices and inequalities between major towns and townships and city sprawl;
- Local government institutions that do not appreciate and recognise the connections and relationships between urban and rural human settlements;
- Deep-rooted and institutionalised approaches and methods of decision-making that do not support running an efficient and effective administration and delivery system;
- Incapability to influence and leverage private sector funding and other resources for economic and community development initiatives;
- Significant differences in capability and capacity to deliver; and

- The major need to reconstruct and re-establish relationships and partnerships between municipalities and communities or citizens they serve.

According to the Department of Performance Monitoring and Evaluation (DPME), in its 20 Year Review of Local Government, many of the challenges highlighted above from more than twenty years ago are still prevalent today.

Given the above policy context and identified service delivery challenges in local government at the time, the White Paper suggests the basis and delivery programme to ensure that the existing local government system is radically and urgently transformed. The White Paper formulates policy on a wide range of subjects, namely “developmental local government; cooperative government; municipal institutional systems; municipal political systems; municipal administrative systems, municipal finances”, as well as encourages municipalities to concentrate on achieving developmental local government outcomes that include the delivery of domestic service delivery infrastructure and associated services (e.g. water, sanitation and electricity); the formation of liveable, unified and cohesive cities, major towns and rural areas; the advancement of local economic growth development and initiatives; community development; citizen empowerment; strategic partnering arrangements; and economic and social redistribution.

The White Paper (1998:74) outlines key principles and philosophies intended to guide municipalities in deciding or choosing appropriate and responsive service delivery options for their own areas that will achieve the developmental goals of local government. These principles include:

- “Accessibility of services: Municipalities must ensure that all citizens have access to at least a minimum level of services”. If there are any inequalities or differences in the level of access to public services, these must be attended to either through the rehabilitation (repairs and maintenance) and expansion of new public service delivery infrastructure or the upgrading of prevailing public service infrastructure.

- “Affordability of services: Accessibility is closely linked to affordability”. This principle considers affordability as a factor or prerequisite for accessibility to these services, particularly for the poor given the fact that in many cases key service delivery infrastructure may exist but remain outside the reach of many citizens, unless the municipality is able to financially afford it.
- “Quality of products and services”: Service quality is tough to define as it is primarily based on perceptions and experiences by citizens. In general, quality of service delivery comprises qualities and characteristics, “such as suitability for purpose, timeliness, convenience, safety, continuity and responsiveness to service users”.
- “Accountability for services”: Notwithstanding the service delivery mechanisms adopted by local government, a good governance requirement includes that “municipal councils remain accountable for ensuring the provision of quality services that are affordable and accessible”.
- “Integrated development and services: An integrated approach to planning”, budgeting and service delivery implementation should be adopted by municipalities to ensure enhancement in the provision of municipal service delivery. It should include a whole-of-government and a whole-of-society approach as this will ensure optimal impact on communities.
- Sustainability of services: Municipal service delivery sustainability is dependent on political, institutional, financial and organisational systems and procedures that support service delivery sustainability. Service delivery sustainability embraces all three essential or key elements: “financial viability and the environmentally sound and socially just use of resources”.
- “Value-for-money: Value in the public sector is a matter of both the cost of inputs, and of the quality and value of outputs”. It necessitates optimal use of public resources (efficiency, effectiveness and economy). This principle is aimed at ensuring widespread equitable access to services that are

affordable, within the financial means of communities and which can be delivered in a sustainable manner.

- “Ensuring and promoting competitiveness of local commerce and industry”: The enabling role of the public sector in growing the economy and creating sustainable jobs through increased competition, reducing red-tape and promoting ease of doing business by the private sector and industry must not be unfavourably affected by public sector (municipal) policies and practices such as “higher rates and service charges on industry and commerce in order to subsidise domestic users”.
- “Promoting democracy”: The basic democratic values and principles by which the public sector should be governed are provided for in Section 195(1) of the Constitution. The White Paper (1998:75) makes the point that “local government administration must also promote the democratic values and principles enshrined in the Constitution”.

(The White Paper on Local Government (1998:74))

The new local government system required nationwide municipal elections. In terms of sections 155(3)(b), 157 and 190 of the Constitution, national legislation, as prescribed by the Constitution, had to be passed to allow an independent autonomous authority, namely the Municipal Demarcation Board, to re-demarcate municipal boundary areas and wards, prepare for elections and to produce a framework for the formation and establishment of the new local government system.

The following acts were subsequently enacted to pave the way for elections in December 2000 that would signal the birth of new municipalities in what was called the final phase of transformation of local government:

- Local Government: Municipal Demarcation Act (No. 27 of 1998);
- Local Government: Municipal Structures Act (No. 17 of 1998);
- Local Government: Municipal Electoral Act (No. 27 of 2000); and
- Local Government: Municipal Systems Act (No. 32 of 2000).

Other laws followed after the 2000 elections, most notably:

- Local Government: Municipal Finance Management Act (No. 56 of 2003); and
- Local Government: Municipal Property Rates Act (No. 6 of 2004).

There are also a host of other laws, both pre-1994 and post-democratisation that directly and indirectly impact on the system and functioning of local government. Where relevant and appropriate, these will be covered later in this chapter. Figure 4.1 sets out the process described above to deracialise local government in South Africa pre-1993 to post-2000.

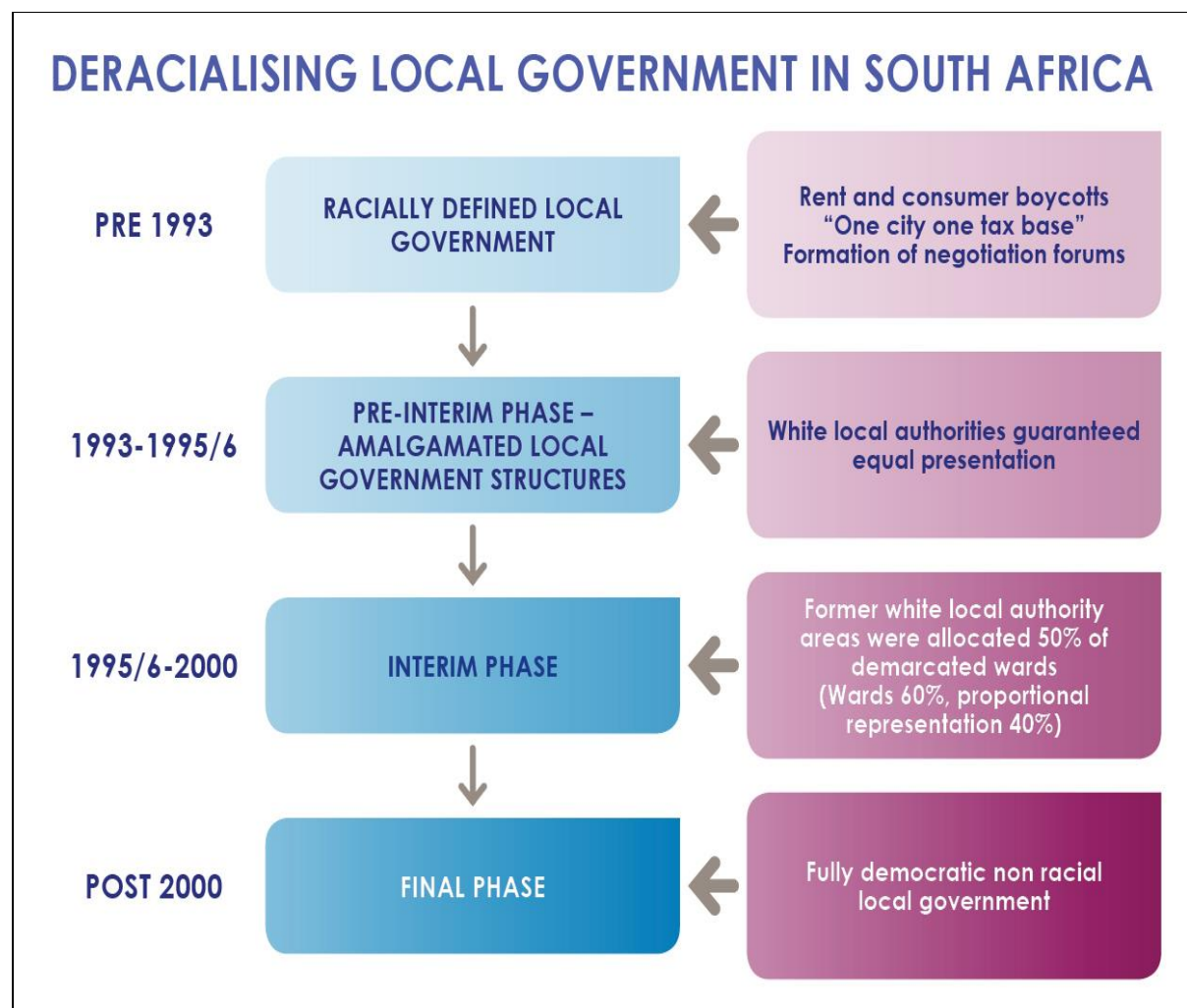


Figure 4.1: Deracialising Local Government in South Africa

Source: SALGA (2015:21).

4.2.2 Key Definitions and Concepts

4.2.2.1 Developmental local government

Considerable research and policy documents have been written describing the developmental role of the state/government or commonly termed 'developmental local government'. According to the UWC Community Law Centre (2007), one of the most suitable and appropriate "descriptions of the concept 'developmental local government' can still be found in the White Paper on Local Government, 1998", which provides the vision for the concept. In terms of the White Paper (1998: Section B), the concept of 'developmental local government' requires municipalities to exercise their municipal powers and functions in a manner that supports the attainment of four main characteristics and aims, namely:

1. "Maximising economic growth and social development: Local government is instructed to exercise its powers and functions in a way that has a maximum impact on economic growth and social development of communities".
2. "Integrating and coordinating: Local government integrates and coordinates developmental activities of other state and non-state agents in the municipal area".
3. "Democratic development of public participation: Local government becomes the vehicle through which citizens work to achieve their vision of the kind of place in which they wish to live".
4. "Leading and learning: Municipalities must build social capital, stimulate the finding of local solutions for increased sustainability, stimulate local political leadership and seek to empower marginalised and excluded groups within the community".

(The White Paper on Local Government (1998: Section B))

These characteristics are fully aligned with the principles underpinning the White Paper that guide municipalities in choosing appropriate and responsive delivery options. According to the UWC Community Law Centre (2007:9), the four characteristics highlighted above are not just essential in providing content to the

developmental mandate of local government, but are also extremely beneficial and valuable in understanding the constitutional and myriad of other legislative provisions that deal with local government (municipalities). They argue that the “functional competences of local government should reflect the constitutional vision of developmental local government as outlined in the White Paper” and emphasise that the decentralised developmental local government role and strategic approach can only be effective and practically implementable “if the institutional framework for local government gives expression thereto” (UWC Community Law Centre, 2007). Further, the UWC Community Law Centre (2007:9) emphasises that “part of this expression must be the allocation of powers and functions that are relevant to the developmental mandate of local government”.

The Palmer Development Group (2004, cited by the UWC Community Law Centre, 2007:9) points out that a main problem is that “current local government functions do not enable it to make the maximum social and economic impact envisaged by the Constitution and the White Paper” and that given this incongruity or divergence between the concept and belief in developmental local government and the constitutional determined functional powers of local government, there is an increasing concern in government that the dream of creating local government that will make a fundamental impact in the socio-economic conditions of people might not realise or be possible in the short term.

In this regard, the President’s Coordinating Council (PCC) resolved to commence a process of appraisal or assessment of the constitutionally determined Schedule 4 and 5 functions. This resolution by the PCC was supported by an appeal by the former Finance Minister, Trevor Manuel, in his address to the National Council of Provinces at their intergovernmental relations summit in 2007, when he made an appeal for an unbiased and impartial assessment on the relevance and appropriateness of the current constitutional arrangement on the powers and functions of local government and to what extent these contribute or not to achieving the aims and objectives of developmental local government.

The local and provincial government policy review process on the future of provincial and local governments, undertaken by the DPLG in 2008, was to give effect to this PCC resolution. However, since 2007 not much has happened from a policy and

legislative reform perspective to give effect to achieving a more appropriate configuration and alignment between the powers and functions of local government and developmental local government's aims and objectives.

Given the mismatch between the schedules in the Constitution and the developmental objective, the UWC Community Law Centre (2007:10) suggests "that the Schedules should represent the 'primary constitutional expression' of municipal instruments towards achieving developmental objects, but that the 'primary constitutional expression' can then be complemented and refined by incremental decentralisation that does not detract or deviate materially from the vision enunciated in the Constitution" given that this suggested methodological approach is aligned with the main aims, role and function as set out in the Constitution and respective policy documents. In this way it will result and serve "as a 'blueprint' or 'transformative' Constitution, aimed at guiding transformation rather than capturing and safeguarding the results of transformation".

Two main problems emerged given this mismatch between the schedules in the Constitution and the concept and belief of developmental local government. Firstly, the aims and objectives of developmental local government are 'not followed through' to logical conclusion as in many cases municipalities are hampered in accomplishing their service delivery and developmental objectives, mainly as a result of a lack in policy-making capacity and ability, in addition to not having the required authentic financial authority on critical and impactful service delivery areas, such as human settlements and local economic development. Secondly, the problem of 'creeping decentralisation', mainly as a result of divergence or misalignment in the recent appearance of various forms of, and approaches to, decentralisation that are either not aligned with the objectives and or the legislative provisions of the Constitution. This is particularly prominent in particular sector-specific discussions. For instance, the case of housing accreditation in the human settlements sector relates to the devolution and assignment mechanism provided for in the Constitution and the Municipal Systems Act when compared against other constitutional instruments such as delegation or agency.

The principle of 'democratic local government development through public participation and community involvement' can be achieved when municipalities

become the enabler and mechanism through which communities accomplish their aspirations, dreams and vision of the kind of environment in which communities and citizens wish to work, live and play. To ensure maximum citizen impact, municipalities have a duty or responsibility to collaborate and partner with local communities in the delivery of public services. In this way, citizen accountability is enhanced, as the solution to the service delivery problem is co-created, co-owned and co-delivered between the municipality, community and private sector. The preamble to the Local Government Municipal Systems Act (No. 32 of 2000) (Municipal Systems Act) confirms this notion when it states that:

- “... a fundamental aspect of the new local government system is the active engagement of communities in the affairs of municipalities of which they are an integral part, and in particular in planning, service delivery and performance management”;
- “... the new system of local government requires an efficient, effective and transparent local public administration that conforms to constitutional principles”;
- “... there is a need to ensure financially and economically viable municipalities”; and
- “... there is a need to create a more harmonious relationship between municipal councils, municipal administrations and the local communities through the acknowledgement of reciprocal rights and duties”.

The object of the Municipal Systems Act is “to provide for the core principles, systems, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all; to define the legal nature of a municipality as including the local community within the municipal area, working in partnership with the municipality’s political and administrative structures; to provide for the manner in which municipal powers and functions are exercised and performed; to provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the

notion of developmental local government; to provide a framework for local public administration and human resource development; to empower the poor and ensure that municipalities put in place service tariffs and credit control policies that take their needs into account by providing a framework for the provision of services, service delivery agreements and municipal service districts; to provide for credit control and debt collection; to establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment; to provide for legal matters pertaining to local government; and to provide for matters incidental thereto”.

The Systems Act, with regard to developmental local government, as a pre-requisite sets the tone for how community financial resources, such as the “rates, taxes and levies paid by consumers of municipal goods and services”, in the delivery of public services should be applied, more particularly the requirement that the processes, systems and service delivery mechanisms should be efficient, effective and transparent. Ras (2016:49) makes the point that “gone were the days where municipalities had absolute discretion in respect of the application and use of resources because a new and fundamental aspect of the new local government system is the active engagement of communities in the affairs of municipalities of which they are an integral part, and in particular in planning, service delivery and performance management”.

The attainment of developmental local government, as envisaged in the 1998 White Paper, is actually the responsibility of all three spheres of government, as a unitary state, and will not be assisted by over-emphasis on the disconnect of the unitary state through overtly complicated decentralised and asymmetrical models. The terminology ‘unitary’ and ‘federal’ are often used with some misconception and one should be clear about the definition being used. South Africa is a united state, which differs from a unitary state and, given the three spheres of government structure (national, provincial and local), South Africa is clearly a multi-sphere state or, differently put, it has a multi-sphere government system. In the classical sense a unitary state is when there is a national government and any other sub-national government legally depends on the

national government for its scope of authority, which is not the case in South Africa. All three spheres are constitutionally defined and powers are constitutionally allocated.

The unitary state is a 'shared space', which is typical of a multi-sphere system of government or of some federal systems, and South Africa is one with an increasing awareness of the complexities in the evolution of institutions and processes. The unique role of local government, as the sphere closest to communities, is not compromised by measured assessment of how to optimally harness the resources of a capacity-strained state, e.g. own revenues are rarely sufficient to provide for essential municipal services and support is required through both the grants system and in terms of technical capacity to manage infrastructure and service delivery challenges. The transformation challenge for government is at a critical stage – and it may be that the broader national political and economic transformation processes are those that will build the necessary intergovernmental linkages required to protect and build communities for the medium and long term.

4.2.2.2 Defining 'government' and its workings in South Africa

The DPSA (2003:11), in its work on 'the machinery of the state', defines 'government' as the "body or bodies responsible for governing the State". These bodies, within the South Africa context, principally "refer to the political executive", i.e. "the President and Cabinet at national level, Premiers and members of Executive Councils at the provincial level"; and the mayors and councillors at the local government or municipal level. Although the work of the DPSA in 2003 primarily focusses on the national and provincial spheres of government, municipal councils should also be included in the reference to the 'political executive'. According to the DPSA (2003:11, citing Theunissen, 2000, in Venter, 2001:118), in "common usage, however, the term 'government' is often used to refer to any part of the State and public administrative apparatus", such as "the legislature, executive and judicial branches of government, and their respective components". The DPSA (2003:11) makes the point that "every country has its own government and all governments have structures", components and various elements that enable them to function properly and to work "individually and together as a system or 'Machinery of Government'". The former Minister of DPSA, Honourable Fraser-Moleketi, in her foreword DPSA (2003:3), highlights that

the structures, as well as various elements and components “contribute individually as cogs in the overall wheel of the service delivery machinery in the country”.

In terms of Section 40(1) of the Constitution, “government is constituted as national, provincial and local spheres of government”. These three spheres (not levels) of government exist within their own right, but within an integrated intergovernmental relations system with each, according to the Constitution, being “distinctive, interdependent and interrelated”.

The term ‘distinctive’ refers to the relative autonomy that each sphere has in respect of its powers and functions. The word ‘interrelated’ describes the hierarchal relationship between the three spheres, qualified by, in the case of local government, supervisory powers as outlined in sections 155(6) and (7) of the Constitution. The term ‘interdependent’ suggests that the three spheres are dependent on one another so as to secure the wellbeing of the people when exercising and performing their respective powers and functions. It is for these reasons that the Constitution, in Section 41(1) requires that “all spheres of government and all organs of state within each sphere must”, given the clear separation of power between the three spheres of government, “respect the constitutional status, institutions, powers and functions of government in the other spheres”, and further are “not to assume any power or function except those conferred on them in terms of the Constitution” and follow and apply the governance principle of rule of law, and “exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere”. The Intergovernmental Relations Framework Act (No. 13 of 2005) (IGFRA) was adopted to regulate the relationship between the three spheres of government, particularly as it relates to these spheres being distinct, interdependent and interrelated.

The South African government system is premised on the doctrine of ‘separation of powers’, which requires that the functions of government be divided into legislative, executive and judicial functions. *Trias politica*, or separation of powers is a well-known concept internationally and is also part of the South African constitutional system. According to Vile (1998), “the name most associated with the doctrine of the separation of powers is that of Charles Louis de Secondat, Baron Montesquieu”. Although Montesquieu was not the original inventor of the doctrine of ‘separation of

powers', he formulated the concept of *trias politica* as it is known today. He contributed new ideas to the doctrine; and accentuated and highlighted essential fundamentals of the doctrine that had not previously been acknowledged, in the main as it relates to the judiciary. As a result, he rendered the doctrine a more significant meaning and application than most former authors on the subject.

Venter (1998) makes the point that the purpose of the *trias politica* doctrine is mainly to: (a) prevent "excessive concentration of power in a single person or body"; (b) prevent the abuse of power by separating government into divisions, thereby balancing or limiting each other; and (c) promote greater efficiency.

During the constitutional negotiations in South Africa, separation of powers was accepted as one of the key constitutional principles with which the new constitution has to comply (CP VI, 1993-Constitution). This is reflected in the First Certification case wherein the "Constitutional Court, in the Certification of the Constitution of the Republic of South Africa, 1996" (para. 109), describes it as follows:

"The principle of separation of powers, on the one hand, recognises the functional independence of branches of government. On the other hand, the principle of checks and balances focuses on the desirability of ensuring that the constitutional order, as a totality, prevents the branches of government from usurping power from one another. In this sense it anticipates the necessary or unavoidable intrusion of one branch on the terrain of another. No constitutional scheme can reflect a complete separation of powers: the scheme is always one of partial separation".

This doctrine implies that separate branches of government, i.e. the government machinery (how government functions, operates and works), will perform clear, yet distinct, separate functions, as follows:

- Laws will be made by the legislature, comprising of the elected members (parliament, legislatures and municipal councils) who, according to PAAB (2018) "represent the public, approve policies and laws and monitor the work of the executive and departments";
- The executive, comprising the Cabinet, provincial executive councils and municipal councils (president, premier, mayors, national and provincial executive councils, municipal councils, mayoral committees) are

responsible for the policy making and coordination, making of laws and overseeing the implementation of laws by the public sector institutions; and

- The judiciary will enforce and judge the acts of both the legislature and executive.

In the local government sphere, there is no division or distinction between legislative and executive power, as is the case in national and provincial governments. In terms of Section 160(1) of the Constitution, a municipal council (as a collective governance body) is empowered to make “decisions concerning the exercise of all the powers and the performance of all the functions of the municipality”. In other words, this includes the exercising of both legislative and executive powers and functions. This distinction is important for purposes of delegation in that it is allowable in law for municipal councils to delegate executive powers; however, the statutes do not permit municipal councils to delegate legislative powers and functions.

In terms of the 1996 Constitution, in South Africa the governance arrangements of the state are comprised of three distinct parts, namely the legislature, executive and administration. The legislature and the executive were discussed earlier. The administration, as a part of the government architecture, consists of departments, municipalities and public servants who are accountable to the executive for the outputs of government and who do the day-to-day work of government as part of the public sector. The table below depicts the structural governance arrangements of the state for each sphere.

Table 4.1: Governance Arrangements of the State

SPHERE OF GOVERNMENT	LEGISLATURE	EXECUTIVE	ADMINISTRATION / ACCOUNTING OFFICERS
National sphere	National parliament	President and members of Cabinet (ministers)	Directors-general and national government departments
Provincial sphere	Provincial legislatures	Premier and members of the executive councils (MECs)	Director-general, heads of provincial departments and staff
Local sphere	Municipal councils	Mayor and members of the mayoral committee (MAYCO)	Municipal manager, executive directors, departmental heads and staff

In summary, government has the overarching responsibility to formulate policies, laws and regulations about citizens' and communities' rights and responsibilities and also to determine accountability arrangements for the delivery of government services. On the other hand, government also has the right, subject to certain legislative conditions, to impose taxes, user fees and charges, to these citizens and communities and to apply these monies to deliver public services and infrastructure that enhances and improves the lives and overall socio-economic conditions of all people (not just citizens) in the country, particularly the poor and the most vulnerable.

4.2.2.3 Defining 'local government' and its workings in South Africa

'Local government' in South Africa is one of the three spheres of government and consists of the collective of 278 different municipalities that have been demarcated wall-to-wall in the country, and which as a collective constitute the whole of the territory South Africa. With the introduction of Chapter 7 of the 1996 Constitution, the standing of local government changed from a lower tier of government, as expressed in the 1910, 1961 and 1983 constitutions, dependent for its very existence on higher legislative bodies, to a fully-fledged separate sphere of government. Local government is therefore not a function of national or provincial government but has been

constituted as a form of government with its own constitutional rights, responsibilities and functions, all of which are set out in the 1996 Constitution and the many statutes.

Section 2 of the Constitution provides for the concepts of ‘constitutional supremacy’ and ‘rule of law’, particularly pronouncing the Constitution to be the supreme law of the Republic of South Africa and stating that the obligations imposed by the Constitution must be obeyed, observed and fulfilled, as well as that any other law, behaviour or conduct that is inconsistent with the provisions of the Constitution is invalid. Constitutional sovereignty or supremacy dictates that the ‘rules of the Constitution’ are binding on all spheres of government and have priority over any other rules or statute made by any of the three spheres of government.

The ‘rule of law’ implies that each sphere of government, which includes local government, may only act within the constitutional powers lawfully conferred upon it and that exercising their public power is only legitimate, where lawful. The constitutional provisions and principles of ultimate supremacy or sovereignty and the ‘rule of law’ therefore obliges municipalities, including their structures, office bearers and staff to, in all respects, comply with the provisions of the entire Constitution in the exercise of powers and performance of functions. Section 7(2) of the Constitution provides and sets out a distinct duty on the state, which includes local government, “to respect, protect, promote and fulfil the rights in the Bill of Rights” given that the Bill of Rights is applicable to all statutes, and the obligation to comply with it is fully binding on “the legislature, the executive, the judiciary and all organs of state”.

The existence of local government originated on the principles and philosophies of democracy, which is the cornerstone of the Constitution in South Africa. Sections 152(1)(a) and 160(8)(b) of the Constitution regulate democracy¹¹, as it relates to local government, in the following manner:

- “Objects of local government are to provide democratic and accountable government for local communities”; and

¹¹ Other references to ‘democracy’ can be found in sections 57, 59, 61, 70, 72, 116, 118, 195, 234, 236 and the whole of Chapter 9 (sections 181 to 194) of the Constitution.

- “Members of a municipal council are entitled to participate in its proceedings and those of its committees in a manner that is consistent with democracy”.

In the local government sphere, three types of democracy are distinguishable, namely (i) representative democracy, (ii) participatory democracy; and (iii) direct democracy. As indicated earlier, in local government there is no division or separation of powers between the executive and legislative powers of council. Legislative power is the authority or original powers conferred by the Constitution on a municipal council to make enforceable rules of general application, which apply to all residents in the municipal area, rather than to individuals. In this regard, a municipal council primarily exercises its legislative powers when it adopts a by-law or the budget (being legislative in nature). Municipalities do not have unfettered legislative powers. Section 156(3) of the Constitution expressly makes municipal by-laws subject to national and provincial legislation and provides that a by-law is invalid and as a consequence not enforceable if it is in conflict with or contradicts national or provincial statutes. In addition, the exercising of legislative power is also subject to compliance with the principle of legality (‘rule of law’).

Executive powers refer to the authority to implement or give effect to the law created by the legislature or council. In most cases, executive action constitutes ‘administrative action’, which refers to those acts that implement or give effect to a policy or piece of legislation within the framework of administrative justice as contemplated in Section 33¹² of the Constitution and extensively defined in the Promotion of Administrative Justice Act (PAJA) (No. 3 of 2000). However, executive action that does not constitute ‘administrative action’ is not left uncontrolled. Such acts must conform to the principle of legality, as set out in the Constitution. The basis for the administration of justice is

12 “(1) Everyone has the right to administrative action that is lawful, reasonable and procedurally fair;
 (2) Everyone whose rights have been adversely affected by administrative action has the right to be given written reasons;
 (3) National legislation must be enacted to give effect to these rights, and must-
 (a) Provide for the review of administrative action by a court or, where appropriate, an independent and impartial tribunal;
 (b) Impose a duty on the state to give effect to the rights in subsections (1) and (2); and
 (c) Promote an efficient administration”.

provided for in chapters 8 and 9 of the Constitution and sets out the provisions for government or state institutions to defend, guard, preserve, direct and manage the underlying spirit and principles of the Constitution.

4.2.2.4 Defining ‘municipality’ and its workings in South Africa

The establishment of municipalities for the whole of South Africa is founded in Chapter 7, particularly in Section 151, of the Constitution. Section 155(3)(b) of the Constitution requires that the principles, criteria and procedures for determining municipal boundaries be determined by an independent authority¹³. A municipality may only govern, perform and execute its executive, legislative and administrative powers within its demarcated borders and for a specific purpose. In addition, it may only “exercise executive authority in the area of that other municipality” in concurrence with and by an agreement in writing, which has been approved by the respective municipal councils and subject to Chapter 5 of the Municipal Structures Act and other applicable national legislation (Section 11(2) of the Systems Act¹⁴).

Section 2 of the Systems Act defines “a municipality as an organ of state within the local sphere of government exercising legislative and executive authority within its area of jurisdiction”. The Constitution, in Section 239, defines an ‘organ of state’ to include, amongst others, “any department of state or administration in the national, provincial or local sphere of government”.

The Systems Act (2000) Section 2(b), describes a ‘municipality’ as comprising of political structures, the administration and the community. The political structures refer to the council of the municipality as the collective of council members and not to individual political officer bearers “or any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act”. The administration generally refers to the staff of the municipality and, in accordance with Section 55 of the Systems Act, the municipal

13 The Local Government: Municipal Demarcation Act (No. 27 of 1998) provides for the appointment of a Municipal Demarcation Board to determine municipal boundaries.

14 This provides for one exception in circumstances where a municipality could for instance establish a reservoir in the area of jurisdiction of a neighbouring municipality.

manager is the accounting officer and the head of the administration. The community, is an important element of the municipality and its members have statutory conferred rights and obligations, as reflected in the Bill of Rights and set out in Section 5 of the Systems Act.

As indicated earlier, according to the National Treasury (2011) and confirmed by the Electoral Commission of SA (2017), since 2016 there have been 257 municipalities within the South African context. This consists of 8 (eight) Category A metropolitan municipalities with an executive mayoral system “with both a sub-council and a ward participatory system”, 205 (two-hundred and five) Category B local municipalities, with a mayoral executive system combined with a ward participatory system and covering areas outside of the metropolitan boundaries with each municipality broken into various wards, and 44 (forty-four) Category C or district municipalities, having an executive mayoral system and made up of a number of local municipalities that fall in one district (National Treasury, 2011). Section 4.7 expands on the types and categories of municipalities in South Africa as captured in Section 155 of the Constitution.

Each municipality has a council that comprises a collective of councillors who are publicly elected members from the community and who, as a collective, fulfil both functions of the executive and the legislature. The municipal council is responsible for making policy decisions and by-laws for their area, overseeing the administration and ensuring that accountability arrangements are in place that will guarantee implementation of policies and by-laws by municipal officials and staff. As a collective, the municipal council is accountable to the public for delivery of public goods and services. The municipal council governs the specific demarcated municipal area and has the power to exercise authority and to, in terms of Section 152 of the Constitution, given its legislative authority, make and administer by-laws for the effective administration of the matters that it has legislative authority or right to administer, as set out in parts B of schedules 4 and 5 of the Constitution, or as assigned to it by national or provincial legislation. The municipal council also has the right, in terms of sections 160(1) and (2) of the Constitution and Section 75A of the Systems Act, to impose property rates, taxes, fees, levies and surcharges for services provided by or on behalf of the municipality and if authorised by national legislation. The right and

power to perform the function of imposition of taxes, fees or levies is exclusively vested in the municipal council and the council may not delegate this power to anyone else.

Some of the main responsibilities of council, which functions under the political guidance of the mayor, are to decide on the quantum and level of basic service delivery provision for their municipal area, assess and consider spatial development plans and to pass a medium-term revenue and expenditure budget for its municipality each year that is funded, sustainable and responsive to the service delivery plans. In addition, given the accountability relationship, council is held accountable by citizens for delivery and, in return, through its institutionalised processes enforces appropriate accountability arrangements on the municipal administration to ensure delivery.

4.3 THE INTERGOVERNMENTAL RELATIONS SYSTEM OF LOCAL GOVERNMENT IN SOUTH AFRICA

4.3.1 Intergovernmental and Local Government Functional Framework

As the supreme law of the country, the Constitution of the Republic of South Africa (Act 108 of 1996) provides the legal basis for the existence of the Republic. The Constitution sets out the rights, duties and obligations of its citizens and its people and defines the structure of government and the relationship of various government structures to each other.

Although South Africa can be regarded as having a united system of government, it has very strong features of decentralisation. The entire Chapter 3 of the Constitution deals exclusively with co-operative governance between the three spheres of government. Section 40 (Chapter 3) of the Constitution defines that the government of the Republic “is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated”. The Section sets a requirement that it is incumbent on all three spheres of government to observe, obey and adhere to the principles of co-operative government as set out in Chapter 3 and should conduct their business, activities and actions within the ambit and broad parameters of co-operative government.

Given the importance of local government as a separate sphere of government, Chapter 7 of the 1996 Constitution is exclusively dedicated to deal with local government matters and provides for, amongst others:

- The status of municipalities, which is covered in Section 151;
- The objectives and developmental obligations and duties of local government, as set out in sections 152 and 153 respectively;
- The different kinds and the establishment of municipalities in Section 155. A discussion of this was covered previously in Section 4.2.2.4;
- Municipalities' role in co-operative government is addressed in Section 154 of the Constitution and is covered extensively in Section 4.3.2 below; and
- The powers, functions, rights and authority of municipalities as listed in schedules 4 (Part B) and 5 (Part B) is set out in Section 156 of the Constitution. Depending on who the original legislative authority has been given to, Section 156 also covers matter appearing in schedules 4 (Part A) and 5 (Part A) that may be assigned to local government by either national or provincial government.

Different powers, functions and service delivery responsibilities have been assigned by the Constitution to each of the three spheres of government. In this regard, local government and provincial government, as sub-national spheres, have been given an essential and indispensable role in the delivery of frontline basic services to communities, particularly to the vulnerable and poor. The Constitution delineates public service delivery functions, i.e. policy making, legislative, administrative and performance monitoring, into two main categories, namely exclusive powers and those powers and functions that are concurrent.

Exclusive functions are those listed in Schedule 5 of the Constitution that have been allocated to be performed exclusively by one sphere of government. Concurrent functions, being the majority of functions and set out in Schedule 4, are those allocated to be concurrently shared between the spheres of government. Given that national government has the responsibility, power and function for all government functions

that have not been explicitly assigned to either provincial or local government, the Constitution does not specifically describe nor set out the exclusive functions of national government. Exclusive national functions include matters such as national defence, police, state security, higher education, macro-economic and fiscal policy matters affecting the country, home and foreign affairs, matters affecting the judiciary and the broader criminal justice system (e.g. judges, magistrates and law courts). Safety (police services) has a concurrent character in terms of the Constitution.

Schedule 5 (Part A) of the Constitution provides the provincial sphere's exclusive legislative powers, functions and competence and includes major provincial functions, such as basic education, provincial health, provincial roads and provincial planning. For reasons of maintaining critical and indispensable national standards or in the interest of national security, the Constitution provides the power or rights to national government to enact legislation in these 'exclusive' provincial functional areas. The Constitution, in Schedule 4 (Part A), provides a list of the "functional areas of concurrent national and provincial legislative competence" and includes functions such as primary and secondary school education, primary and secondary health care services, social welfare and development services, human settlements and development planning and agriculture. The norm in relation to these services is for national government to take the central initiative to articulate and formulate policy, determine legislative and regulatory frameworks and conditions, determine and set norms and standards, and monitor and evaluate the overall implementation of such policies. On the contrary, provinces are generally responsible for implementation and to give effect to these nationally determined policies and frameworks during the implementation process and, as a consequence, given the separate responsibilities and the fiscal arrangements in the country, provincial expenditure budgets for these functions generally far exceed the budgets of the applicable national department.

The primary functions performed by local government include the supply and reticulation of electricity, supply of potable water, sewerage and sanitation services, refuse and solid waste services, storm water protection services, municipal roads, governance and administration, and municipal public services, such as environmental health, community services, security services, public safety, parks and recreation.

The National Treasury, in its Local Government Budget and Expenditure Review (2011:32) makes the point that “there are very few, if any, local government functions that can be described as exclusive”, that the functions listed in Schedules 4 (Part B) and 5 (Part B) of the Constitution are concurrent functions and that “in nearly all instances, there is either national or provincial framework legislation.” The National Treasury emphasises that, notwithstanding the limitation in local government’s exclusive power and functions, municipalities “do exercise a high degree of autonomy when making by-laws and administering these functions within the prescribed national or provincial frameworks”. Nonetheless, municipal legislative powers remain limited, particularly given that municipal by-laws, regulations and rules may not be in conflict with or contradict neither national nor provincial laws and regulations.

4.3.2 The Constitution and Cooperative Government

Chapter 3 of the Constitution provides a set of principles that should drive effective collaboration across the three spheres of government. Chapter 3, Section 41(1)(c) provides for effective transparent, accountable, responsive and coherent government across the three spheres. This is supported by principle (iv) of Section 41(h), which refers to cooperation in mutual trust and good faith between the spheres by “coordinating their actions and legislation with one another”. Co-operative government is further elaborated on in Section 154(1) of the Constitution which specifically deals with the role of municipalities in co-operative government.

As the activities of the three spheres cannot be placed in water-tight compartments, overlapping is bound to occur, which may lead to confrontation. Co-operation within and between the spheres of government is essential in order to enhance effectiveness of government. For these reasons those drafting the Constitution thought it wise to dedicate an entire chapter in the Constitution to specifically dealing with co-operative government and intergovernmental relations.

Section 151 of the Constitution provides for the ‘status of local government’ or alternatively put, the independence of municipalities as an autonomous self-regulating separate sphere of government with its own powers and functions and which is different and sovereign from the national and provincial governments in terms of

decision making and using its own initiative. However, the ‘independence’ of municipalities is debatable – it is rather a limited or relative autonomy. The reference to own initiative strengthens that autonomy, and simply means that a municipality has the freedom (inside the domain and scope of national and provincial legislation) to reflect on their particular circumstances and decide how to govern their affairs to serve the needs of that community. It does not have to wait for directions from national or provincial government to decide on local priorities. Own initiative suggests that a municipality can start the process and identify its own needs and priorities, e.g. in the Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan (SDBIP).

Jesse (2012:49) makes the point that “municipalities are engaged in constant debate on the interpretation and application of Section 151, concerning (i) the notion of municipal autonomy, which does not exonerate them from ties with national and provincial regulations; and (ii) the separation of the executive and the legislative and its effect on and subsequent impact on the performance of the municipality” and that in this regard, “provision is made for the executive and the legislative functions to reside with the municipal council”.

Section 151 of the Constitution provides, amongst others, that:

- “A municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution.”
- “The national or a provincial government may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.”

Given that organisational service delivery performance can be regarded as the aggregate of service delivery performance outcomes in every aspect of the institution’s (municipality’s) operations, Section 152 of the Constitution identifies five key areas of municipal operations that are and should be measurable in terms of its services and products, i.e. the outputs and developmental outcomes, and that must be delivered within the municipality’s economic, financial and administrative capacity or means.

Sections 152(1) and (2) of the Constitution provide the objects and main aims of local government and direct each municipality in the execution all of administrative, planning and service delivery processes and functions. Section 152 of the Constitution imbeds five key measurable performance areas for municipal success and measuring municipal performance. More specifically, Section 152(1) of the 1996 Constitution states that the “objects of local government are

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.”

Further, Section 152(2) sets out that “a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in” Section 152(1). The five key measurable performance areas (KPA's), as provided in Section 152(1)(a)-(e), provide a basis and should direct and guide municipalities in setting their strategic and key performance objectives in their respective policy and performance documentation and ultimately enable them to report on performance against these constitutionally stated objectives of local government.

The developmental objectives and duties of local government are set out in Section 153 of the Constitution and provide that “a municipality must –

- (a) structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- (b) participate in national and provincial development programmes.”

Sections 152(2) and 153 of the Constitution emphasise the responsibility that municipalities have to direct the use of their available financial and other resources to achieve the objectives of local government “within its financial and administrative capacity”. Given the constitutional obligation, municipalities should prioritise the delivery of basic services, such as water, electricity and sanitation in a sustainable manner within their financial means and administrative capacity and ability.

Section 154 of the 1996 Constitution deals with ‘municipalities in co-operative government’. This Section places a constitutional responsibility on both “the national and provincial governments, by legislative and other measures, to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions”. In addition to support by national and provincial governments when a municipality is unable to fulfil an executive obligation in terms of the Constitution or legislation, provincial intervention in local government is provided for in Section 139 of the Constitution. Further, if a provincial executive council is unable to, or cannot effectively and satisfactorily, exercise the constitutional powers related to this intervention, the national executive (Cabinet) must intervene instead of the relevant provincial executive council. The intervention mechanism in terms of Section 139 of the Constitution is covered later in this chapter.

4.3.3 Powers and Functions of Local Government

The primary source of the powers and functions of a municipality is founded in a number of sections in the Constitution, namely:

1. Matters which are listed in Schedules 4B and 5B of the Constitution;
2. Fiscal powers and functions, including the fiscal arrangements in Chapter 13 and Section 229; and
3. Powers and functions that may be assigned in terms of sections 44, 99, 104, 126 and 156.

The Constitution, in schedules 4 (Part B) and 5 (Part B), outlines the powers and functions of local government, with metropolitan municipalities having all of these functions. The SALGA (2015:13) makes the point that the “Constitution requires a division of powers and functions between category B and C municipalities”, which is

provided for in Section 84 of the Municipal Structures Act. According to the SALGA (2015:13), it has for various reasons been an extremely difficult process to implement the division of responsibilities, powers and functions between category B (local) and category C (district) municipalities. They make the point that “instead of ‘taking the plunge’ and allowing the system as anticipated in the legislation to come into effect, an amendment to the Municipal Structures Act was made to allow the newly established municipalities in 2000 to continue performing the ‘status quo’ of the interim phase of local government transformation” (SALGA, 2015). This was mainly to guarantee that municipalities “were able to stabilise their structures and systems prior to any major reorganisation of powers and functions” (SALGA, 2015:13).

4.3.3.1 Matters listed in schedules 4B and 5B of the Constitution

The powers and functions of municipalities are set out in Section 156 of the 1996 Constitution and are reflected in Schedules 4B and 5B, which are attached as Annexure 2. Section 156 of the 1996 Constitution highlights that “a municipality has executive authority in respect of, and has the right to administer-

- (a) The local government matters listed in Part B of Schedule 4 and Part B of Schedule 5; and
 - (b) Any other matter assigned to it by national or provincial legislation”.
- (2) “A municipality may make and administer by-laws for the effective administration of the matters which it has the right to administer.
- (3) ...
- (4) The national government and provincial governments must assign to a municipality, by agreement and subject to any conditions, the administration of a matter listed in Part A of Schedule 4 and Part A of Schedule 5 which necessarily relates to local government if –
- (a) that matter would most effectively be administered locally, and
 - (b) the municipality has the capacity to administer it.
- (5) A municipality has the right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions”.

In 2005, the Municipal Demarcation Board (MDB) released a report that ranks each function according to the importance attached to the delivery of the service. Priority 1 functions are regarded as high importance and must be delivered by municipalities. Priority 2 functions have moderate importance and should be delivered, while Priority 3 functions are regarded as low importance only to be delivered if funds are available. The following table sets out the MDB's priority ranking of local government functions:

Table 4.2: The Municipal Demarcation Board's Priority Ranking of Local Government Functions

Priority 1 functions	Priority 2 functions	Priority 3 functions
Potable water	Cleansing	Local community sports facilities
Municipal roads	Building regulations	Municipal recreation areas, such as parks and open public places
Sanitation	Street lighting	Local tourism
Refuse, solid waste removal and disposal	Licensing and control of institutions selling food to the public	Advertising, commercials and billboards and the display of in public places
Waste management and rehabilitation of refuse dumps	Street trading	Local amenities
Municipal planning	Trading by-laws and regulations	Licensing of dogs
Storm water	Law enforcement, control and management of public nuisance	Municipal airport
Cemeteries, funeral parlors and crematoria	Animal control including fencing and fences	Liquor control
Electricity reticulation	Noise pollution	Child-care facilities
Municipal health services	Animal pounds	Accommodation, hostel and care facilities
Fire fighting	Air pollution	Burial of animals
Traffic and parking	Beaches and amusement facilities (public spaces)	Markets
	Municipal public transport	Municipal abattoirs
	Pontoons and ferries	

Source: Adapted from MDB (2005).

4.4 LEGISLATIVE AND POLICY REQUIREMENTS: KEY LOCAL GOVERNMENT FUNCTIONS

The legislative and policy provisions covering the delivery of the main basic trading services (Priority 1 functions) are detailed in the following sections.

4.4.1 Provision of Water and Sanitation: Water Services Act (No. 108 of 1997)

The purpose of the Water Services Act (WSA) (1997) is “to provide for the rights of access to basic water supply and basic sanitation; to provide for the setting of national standards and of norms and standards for tariffs; to provide for water services development plans; to provide a regulatory framework for water services institutions and water services intermediaries; to provide for the establishment and disestablishment of water boards and water services committees and their powers and duties; to provide for the monitoring of water services and intervention by the Minister or by the relevant Province; to provide for financial assistance to water services institutions; to provide for certain general powers of the Minister; and to provide for the gathering of information in a national information system and the distribution of that information”.

Furthermore, the WSA (1997) sets out the legislative competency of local government for “the provision of water and sanitation”, which is limited to the provision of safe or “potable water supply systems and domestic waste-water and sewage disposal systems”. The WSA (1997) defines ‘water services’ to mean “water supply services and sanitation services”, whilst ‘water supply services’ means “the abstraction, conveyance, treatment and distribution of potable water, water intended to be converted to potable water or water for commercial use but not water for industrial use”. ‘Sanitation services’ are defined as “the collection, removal, disposal or purification of human excreta, domestic waste-water, sewage and effluent resulting from the use of water for commercial purposes”.

4.4.2 Provision of Electricity and Energy: Electricity Regulation Amendment Act (No. 28 of 2007)

The Electricity Regulation Amendment Act (No. 28 of 2007) deals with the regulation of electricity reticulation by municipalities and clarifies the role of local government in the reticulation of electricity as “the trading or distribution of electricity and includes services associated therewith”. South African electricity distribution is mainly the role of Eskom, as the main electricity distributor in the country. The Electricity Regulation Act (2006) defines this distribution as the “conveyance of electricity through a distribution power system excluding trading, and ‘distribute’ and ‘distributing’ have corresponding meanings”.

The Minister responsible for energy may, in terms of section 35 of the Electricity Regulation Act (2006), issue regulations to prescribe, amongst others: compulsory rules, “norms and standards for reticulation services [and] general key performance indicators” to regulate technical operational issues pertaining to electricity reticulation; principles, norms and standards to determine electricity reticulation tariffs in consultation with the Minister of Finance; and that the standards, measures and criteria to assess service mechanisms and standards be evaluated.

4.4.3 Environment and Climate: National Environmental Management Act (No. 107 of 1998)

The Constitution lists ‘environment’ as a Schedule 4, Part A function, which is a functional area of concurrent national and provincial government legislative competence. The National Environmental Management Act (No. 107 of 1998) (NEMA) in section 1, defines the concept of ‘environment’ as

“the surroundings within which humans exist and that

are made up of -

- (i) the land, water and atmosphere of the earth;
- (ii) micro-organisms, plant and animal life;
- (iii) any part or combination of (i) and (ii) and the interrelationships among

and between them; and

(iv) the physical, chemical, aesthetic and cultural properties and conditions of the foregoing that influence human health and wellbeing”.

The NEMA deals mainly with the use of natural resources and levels of air and water pollution. This Act was introduced as an all-encompassing piece of legislation covering waste and pollution matters and thereby amalgamating all previous fragmented legislation in a number of departments and institutions. The NEMA also clarifies and allocates specific roles and responsibilities within government for waste management and pollution matters.

A host of environmental legislation has been issued over the last few years that regulate municipal environmental functions, such as refuse removal, landfill sites and coastal management to mitigate the environmental effects of South Africa's over-reliance on fossil fuels (coal) for energy, and to manage the demand for electricity. Waste management is regarded as the most urgent environmental management intervention by local government as a whole. Government and the broader public sector do not have exclusive sanctuary or preserve for waste management and pollution matters, as the private sector and civil society also have crucial roles to play, particularly given global risks and environmental challenges, especially around climate change and waste management. It is therefore crucial for government and the private sector to partner in all initiatives to ensure an environmentally sustainable future through effective pollution and waste management control.

In the 1996 Constitution, 'nature conservation' is listed as a Schedule 4, Part A function, which is classified as a concurrent national and provincial government legislative competence. In terms of schedules 4 and 5, 'nature conservation' is not listed as a local government function. The key pieces of national and provincial legislation that regulate nature conservation include the National Environmental Management: Protected Areas Act (No. 57 of 2003) and the National Environmental Management: Biodiversity Act (No. 10 of 2004).

4.4.4 Human Settlements and Housing: Housing Act (No. 107 of 1997)

The Constitution sets 'housing and human settlements' as a concurrent national and provincial legislative competence and, in many cases, when the function is not performed by neither a provincial department nor national government, municipalities perform the function on an agency basis. The Housing Act (No. 107 of 1997) makes provision for municipalities to take responsibility for the planning process related to housing, development of land, the provision of bulk and connector subterranean infrastructure and, increasingly, the topping up of funding for internal infrastructure.

The 1997 Housing Act provides "for the accreditation of local government to administer housing programmes to enable them to plan the implementation of their developmental objectives in a coordinated manner through a three step process", namely levels one, two and three. Level One accreditation allows for the management of the processes as it relates to housing beneficiaries, the associated budget planning, subsidy management and subsidy allocation process and includes the administration and priority programme management related to the function. According to the Housing Act (1997), Level Two accreditation includes the functions allocated under Level One accreditation, plus permits full human settlement "programme management and administration of all housing instruments/programmes". Accreditation on Level Three allows for the full package of services, namely it includes all the responsibilities linked to levels One and Two, as well as the full financial administration function related to the delivery of human settlements.

4.4.5 Public Transport and Related Matters: National Land Transport Act (No. 5 of 2009)

The 1996 Constitution lists 'public transport' in Schedule 4A as "a functional area of concurrent national and provincial legislative competence", whilst 'municipal public transport' is listed in Schedule 4B, also as "a functional area of concurrent national and provincial legislative competence". The National Land Transport Act (No. 5 of 2009) (NLTA) regulates matters relating to public transport and its object is to further the process of transforming and reorganising the national land transport system introduced by the National Land Transport Transition Act (2000). The 2009 NLTA

defines an integrated public transport network as “a system in a particular area that integrates public transport services between modes, with through-ticketing and other appropriate mechanisms to provide users of the system with the optimal solutions to be able to travel from their origins to destinations in a seamless manner”.

The national sphere of government is responsible for, amongst others, the assignment of land transport functions to the sphere of government that is considered most appropriate to deliver the land transport functions. The provincial sphere of government, in terms of the NLTA (2009), is responsible for, amongst others, the “planning, co-ordination and facilitation of land transport functions in the province” and must also coordinate land transport functions between the various municipalities in the province in order to ensure that land transport activities are effectively and efficiently executed and that the people receive optimal benefit and public value.

The responsibility for the development of land transport policies and strategies within a specific municipal area rests within the local government sphere. These policies and strategies must be based on the national and provincial norms, standards and guidelines. They should, on a high level, include the vision for the specific municipal area and should include and integrate the specific municipal spatial development policies and frameworks “on matters such as densification and infilling as well as development corridors; financial planning with regard to land transport within or affecting its area; managing the movement of persons and goods on land within its area by coordinating such movement; encouraging and promoting the optimal use of the available travel modes so as to enhance the effectiveness of the transport system and reduce travelling time and costs; undertaking functions relating to municipal roads, as well as measures to limit damage to the road system; the planning, implementation and management of modally integrated public transport networks and travel corridors for transport within the municipal area” (section 11 of the NTLA 2009) and linking and coordinating with adjacent neighbouring municipalities. The municipality must also determine and “set standards for interoperability between fare collection and ticketing systems” in its area (section 5 of the NTLA 2009).

Any municipality that has an acceptable integrated transport plan in place may request the Minister of Transport or relevant MEC in a province to assign to them any function listed as national and/or provincial contemplated in subsection (l)(a) or (b) of the NTLA,

subject to the provisions and requirements of Section 156(4) of the Constitution and sections 9 and 10 of the Municipal Systems Act. However, according to the Parliamentary Monitoring Group (2018), in the case where a municipality was already performing a function contemplated in subsection (1)(a) when the NTLA commenced, such function was deemed to have been assigned to that municipality under subsection (2). According to the NTLA (2009), the “Minister may make regulations or issue guidelines providing for transitional arrangements where a function is assigned under subsection (2), which may differentiate between (a) different categories of municipalities, budgetary size or in any other determinable manner; or (b) functional areas”. Therefore, the legislation covering public transport and mobility holds far-reaching implications for municipalities as it signals and provides a significant shift in the powers and functions in relation to the role of municipalities in public transport.

4.4.6 Municipal Health Services: National Health Act (No. 61 of 2003)

Municipalities are responsible for the delivery of ‘municipal health services’ in terms of Schedule 4B of the Constitution, whilst provinces are responsible for ‘health services’ in terms of Schedule 4A of the Constitution. ‘Health services’ and ‘municipal health services’ are further defined in section 1 of the National Health Act (No. 61 of 2003) (NHA).

The definition of ‘health services’, which is the constitutional responsibility of provincial governments, includes “(a) health care services, including reproductive health care and emergency medical treatment, contemplated in Section 27 of the Constitution; (b) basic nutrition and basic health care services contemplated in Section 28(1)(c) of the Constitution; (c) medical treatment contemplated in Section 35(2)(e) of the Constitution; and (d) municipal health services”. ‘Primary health care services are defined, in section 1 of the NHA as any “such health services as may be prescribed by the Minister” responsible for health to be regarded as primary health care services. The delivery of primary health care services is assigned to the provincial sphere of government.

Municipal health care services are defined, in section 1 of the NHA (2003) as “(a) water quality monitoring; (b) food control; (c) waste management; (d) health surveillance of

premises; (e) surveillance and prevention of communicable diseases, excluding immunisations; (f) vector control; (g) environmental pollution control; (h) disposal of the dead; and (i) chemical safety”. The functions of “port health, malaria control and control of hazardous substances”, have been excluded from the definition of ‘municipal health services’ (section 1 of the NHA, 2003).

The delivery of municipal health services is assigned to every metropolitan and district municipality and, therefore, the definition of municipal health services limits local government’s role, particularly the larger urban municipalities, which prior to 2004 often provided the primary health care function. The National Health Act, however, makes provision that “the relevant member of the Executive Council must assign such health services to a municipality in his or her province as are contemplated in Section 156(4) of the Constitution”. In this regard, the conditions of assignment set out in a service level agreement must, amongst others, “provide for (a) the services to be rendered by the municipality; (b) the resources that the relevant member of the Executive Council must make available; (c) performance standards which must be used to monitor services rendered by the municipality; and (d) conditions under which the agreement may be terminated” (Section 32 of the NHA, 2003).

4.4.7 Libraries Function

Prior to the 1996 Constitution, municipalities were functionally responsible for the delivery of the library function. The library function, other than national libraries, in terms of Schedule 5A of the Constitution, has been exclusively assigned to provincial governments. The library function is thus, according to the 1996 Constitution, “a functional area of exclusive provincial legislative competence”.

According to Provincial Government (2018), the Western Cape, Provincial Library Service Ordinance No. 16 of 1981, which amended previous provincial library service legislation, “on 9 October 1981, together with the Regulations regarding a Free Provincial Library Service” as provided for in Regulations 689 of 1980, are the only two pieces of provincial legislation that currently legislate the “performance of libraries as a function”. There are two options of how a municipality can perform this function, namely (a) the province can assign or delegate this function to a municipality; or (b) a

municipality can perform the library function on behalf of a provincial government utilising a service delivery agreement.

The provision of library services is currently a highly contested area between the provincial government and municipal sphere and is regarded by many municipalities as another 'unfunded mandate' that is required to be financed from an already highly constrained municipal fiscal framework.

4.5 FISCAL POWERS AND FINANCIAL ARRANGEMENTS IN LOCAL GOVERNMENT

The fiscal powers and financial arrangements for local government are set out in Chapter 13 of the Constitution, particularly sections 227, 229, and 230. In terms of Section 229 of the Constitution, "municipalities may impose rates on property and surcharges on fees for services provided by or on behalf of the municipality", which may be regulated through national legislation to ensure that macro-economic considerations are not prejudiced. Section 229(1)(b) regulates the imposition of "other taxes, levies and duties appropriate to local government or to the category of local government into which that municipality falls", but subject to it being allowed or authorised by national legislation. Further, in terms of this Section, given the macro-economic implications, the fiscal transfer system and public sector financial arrangements in the country, there is an explicit prohibition that "no municipality may however impose income tax, value-added tax, general sales tax or customs duties", as these are regarded as the major revenue and tax instruments available to government to give effect to funding the service delivery requirements and arrangements across the three spheres of government.

In terms of Section 155(3)(c) of the Constitution, national legislation must, subject to Section 229 of the Constitution, "make provision for an appropriate division of powers and functions between municipalities when an area has municipalities of both category B and category C". It is evident that the constitutional assignment of powers and functions to local government has direct implications for the configuration of the fiscal framework of local government and therefore the Constitution acknowledges the important linkage between the alignment of the fiscal and functional arrangements and

the division of powers and functions between the category B and C municipalities. The ideal and aim of the local government fiscal framework, as set out in the Division of Revenue Act and in Section 152(2) of the Constitution, is to provide municipalities with adequate and appropriate access to revenue raising powers and fiscal resources that are commensurate and will enable them to deliver the services that they are responsible for providing and to achieve the objectives of local government “within their financial and administrative capacity”. Given the requirements of Section 155(3)(c) of the Constitution, in the event that equivalent and similar fiscal powers and functions with regard to the same area are shared by both district and local municipality, national legislation must provide for the appropriate division of those powers and functions, with the understanding that nothing precludes the sharing of revenue between municipalities in the same demarcated district that have the same or shared fiscal powers and functions in the same district area.

The local government fiscal framework refers to all sources of revenue that municipalities have at their disposal to meet their expenditure obligations, namely municipal own revenues, equitable share, grants from other spheres and borrowing. The functional structure of the local government fiscal framework is contained in the Constitution and various pieces of national and provincial legislation. The entire local government fiscal framework, and not just one singular sub-component of it, is intended and configured to provide municipalities with access to sufficient revenue sources that will enable them to finance local government obligations and to empower municipalities to deliver the community services as set out in the Constitution.

Table 4.3 sets out the sources of local government funding (fiscal framework), the respective constitutional provisions and the applicable governing legislation.

Table 4.3: Sources of local government funding and empowering legislative provisions

Source of local government funding	Constitutional provisions	Governing legislation
Municipality's own revenue sources		
Rates on property	Section 229 and 227(2)	Municipal Property Rates Act
Surcharges on fees for services provided by or on behalf of the municipality	Section 229 and 227(2)	Municipal Fiscal Powers and Functions Act
Service charges/fees	Section 229 and 227(2)	Municipal Finance Management Act and Regulations Municipal Systems Act Electricity Act and Electricity Regulation Act National Water Act Provincial land use planning ordinances
Other taxes, levies or duties	Section 229 and 227(2)	Municipal Fiscal Powers and Functions Act
Administrative fees		Municipal Systems Act; municipal by-laws
Fines		National Road Traffic Act; municipal by-laws
Borrowing	Section 230A	Municipal Finance Management Act and Regulations
Credit control and debt collection		Municipal Systems Act
Transfers from national and provincial government		
Local government equitable share of nationally collected revenues	Section 214 and 227	Intergovernmental Fiscal Relations Act The annual Division of Revenue Act
Fuel levy sharing with metropolitan municipalities	Section 229(1)(b)	The annual Taxation Laws Amendment Act
Conditional grants from national government	Section 214(c), 226(3) and 227(1)(c)	Intergovernmental Fiscal Relations Act The annual Division of Revenue Act The annual National Appropriation Act

Source of local government funding	Constitutional provisions	Governing legislation
Conditional grants from provincial government	Section 226	The annual Division of Revenue Act The annual Appropriation Act of the relevant province Provincial Gazettes

Source: Adapted from National Treasury. IGFR (2011).

Transfers from the national sphere are governed by sections 214 and 227 of the Constitution, which stipulates that local government is “entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it”. The local government sphere may also receive other allocations from national and provincial government, which can either be conditional or unconditional. The Constitution provides that when determining a municipality’s equitable share allocation of nationally collected revenues, which are outlined in the annual Division of Revenue Act and related national budgetary documentation, national government must take into account the fiscal capacity of a municipality as well as commentary from the Financial and Fiscal Commission (FFC)¹⁵.

Given the broad revenue raising powers of local government, it is a constitutional requirement, in terms of section 229 of the Constitution (1996), for municipalities to also raise their own revenues from, amongst others, service fees, property rates, surcharges and other taxes, levies and duties and other own revenue. It is important to note that in terms of Section 227(2) of the Constitution, “additional revenue raised by municipalities may not be deducted from their share of revenue raised nationally, or from other allocations made to them out of national government revenue”. This Section expands and emphasises that, “equally there is no obligation on the national government to compensate municipalities that do not raise revenue commensurate

¹⁵ The FFC is a body established in terms of Chapter 9 of the Constitution and has a legislative mandate set out in the Financial and Fiscal Commission Act of 1997 to make recommendations, on an annual basis, to parliament “on financial and fiscal matters across all three spheres of government in terms of Section 214(1) of the Constitution, the Financial and Fiscal Commission Act of 1997, the Intergovernmental Fiscal Relations Act of 1997, and the Money Bills Amendment Procedure and Related Matters Act of 2009”. These recommendations from the FFC and responses from government on them are contained in the explanatory memorandum accompanying the annual Division of Revenue Bill tabled in parliament with the annual budget.

with their fiscal capacity and tax base”, making it compulsory for municipalities to explore and maximise revenue utilising their own fiscal capacity rather than expecting national government to fund or reimburse them for shortfalls in revenue collection.

The ability of municipalities to collect own revenues is influenced by the economic and social realities prevalent in those municipal jurisdictions as well as those municipalities’ management practices in respect of revenue collection, and whether a municipality is legislatively empowered and authorised to perform a function, such as the water and sanitation (water services) function in the case of category B and C municipalities under the two-tier system of local government. The Municipal Systems Act, in Section 75A(1), provides wide-ranging powers “to levy and recover fees, charges and tariffs” and provides that “a municipality may (a) levy and recover fees, charges or tariffs in respect of any function or service of the municipality, and (b) recover collection charges and interest on any outstanding amount”.

Municipal loans are regulated through Section 230A(1) of the Constitution, which provides that “a municipal council may, in accordance with national legislation, raise loans for capital or current expenditure for the municipality, but loans for current expenditure may be raised only when necessary for bridging purposes during a fiscal year”. Municipalities can only use borrowing as a source of capital financing and are also allowed to run an overdraft on their operating budget, as long as such overdraft is cleared by the end of the financial year. The Constitution, in Section 230A(1)(b), makes it clear that “a municipal Council binds itself and a future Council in the exercise of its legislative and executive authority to secure loans or investments for the municipality” and should therefore be very responsible and attentive, and not reckless, in their actions when considering proposals for borrowing given the long-term sustainability implications, which in many cases will materialise way beyond their own political term of office.

There is a fundamental difference between ‘actual revenue raised’ and the ‘fiscal capacity’ of a municipality, and this point is acknowledged given the differentiation provided in the Constitution. These two concepts are very often misguidedly conflated, particularly in assessing the sustainability of municipalities and analysing their fiscal ability and capacity and whether or not they have access to sufficient revenue sources. Given the composition of the national transfer system, the fiscal framework allows for

municipalities with low fiscal capacity to receive a higher proportion of their funding from national transfers than municipalities with high fiscal capacity. Notwithstanding this fiscal arrangement, municipalities cannot merely expect a national ‘hand-out’, but it is expected that all municipalities demonstrate fiscal effort and collect their own revenues that they have been empowered to collect and that are legislatively available to them.

The Municipal Finance Management Act, 2003 (MFMA) regulates financial matters within the local government sphere. In this regard, Section 18 of the MFMA regulates the composition of budgets and makes it a requirement for municipal budgets to be funded by realistically anticipated revenues to be collected, and that budgets be financially cash-backed by accumulated reserves or borrowings but only for capital or short-term requirements. By implication, in computing the fiscal framework municipalities are obligated to limit their expenditure budget to the realistically available revenue envelope and should concomitantly reduce expenditure to come in line with the expected realistic revenue flows. In this regard, it is noteworthy that national government does not have any legislative mandate or empowering legal provisions to ‘bail out’ or provide financial guarantees for municipalities that fail to collect own revenues or mismanage their funds.

The expenditure responsibilities of municipalities are determined by the functions that municipalities are required to perform in terms of schedules 4 and 5 of the Constitution. However, in terms of Section 153(a) of the Constitution, municipalities are required to prioritise “basic needs and social and economic development”. The local government fiscal framework, utilising local government equitable share and conditional grants, assists municipalities with the provision of these basic services. It is important to note that beyond the provision of basic services it is up to municipalities to prioritise to what extent they perform the other functions for which they are responsible.

It is obviously not possible to provide supreme service for every function and so municipalities must determine how they will spend their resources to prioritise the functions they consider the most important. Although there are cases where municipalities take on functions without adequate funding (unfunded mandates), in many cases, according to the National Treasury (2014), the issue is actually that

municipalities are not reprioritising these functions within the allocation of their own resources.

Primary national legislation regulating the fiscal arrangements (municipal finances) includes the following:

- The *annual Division of Revenue Act*, required in terms of Section 214 of the Constitution, divides nationally raised revenues amongst the three “spheres of government and the responsibilities of all three spheres pursuant to such division”;
- The *Municipal Finance Management Act* sets the legal framework for financial management, such as borrowing, budgeting, expenditure and revenue management, procurement, reporting, roles of administrators and political official bearers with regard to financial matters, and regulates the process of financial recovery for distressed municipalities;
- The *Municipal Systems Act* regulates the internal systems of municipalities, including municipal services (which includes municipal tariff setting). Various sector legislation also regulates municipal tariff setting practices;
- The *Municipal Property Rates Act (No. 6 of 2004)* regulates the “power of a municipality to impose rates on property” in an equitable and responsible manner;
- The *Municipal Fiscal Powers and Functions Act (No. 12 of 2007)* regulates the power of a municipality to impose municipal taxes other than property rates, including the imposing of surcharges on fees for the provision of municipal services and the process to apply for the possible introduction of a new municipal tax; and
- The *Intergovernmental Fiscal Relations Act (No. 97 of 1997) (IGFR)* regulates fiscal arrangements between the three spheres of government and, importantly for the local government sphere, this piece of legislation establishes the Budget Forum. The Budget Forum plays a key role in local government financial and fiscal matters and, in terms of Section 5 of the IGFR Act is made up of the Minister of Finance, members of the executive

councils who are responsible for finance in each of the nine provinces, as well as local government representatives.

The White Paper on Local Government (1998: Section G) provides an entire section on municipal finance and in 1998 set principles for the new municipal finance system that would enable local government to meet the objectives of the Constitution. Most of these principles have been taken up in the various pieces of legislation referred to earlier in managing municipal finances, and are still very relevant today. The principles, according to the White Paper and the SALGA, include the following:

- **Revenue adequacy and certainty:** This principle covers the requirement, as discussed earlier in this chapter, for municipalities to have certainty on the adequacy of revenue sources that will allow for realistic planning and empower them to deliver on constitutionally assigned functions and give effect to developmental objectives of local government.
- **Financial sustainability:** Municipalities are required to ensure that they table funded, realistic and balanced budgets, that they fully exploit their revenue potential, ensure that services are provided at affordable levels for citizens (that make economic sense and that citizens can pay for), and that tariffs are cost reflective and recoverable through service charges. Financial sustainability also includes fiscal discipline, i.e. no overspending of budgets, proper financial controls and no fruitless and wasteful expenditure, whilst considering, in delivering basic services, the application of some form of cross-subsidisation between various classes of the population.
- **Effective and efficient resource allocation, application and use:** Given the scarcity of financial and other resources, this principle makes a case for the most effective, efficient and economic use of resources to obtain maximum benefit (public value) for local communities: It calls for community involvement and accountability in key processes, such as participating in the IDP planning and budgeting processes to safeguard and guarantee that resources are being put to their best use in the

community and are aimed at increasing the access of the poor to basic services.

- **Development and investment:** In order to arrest the increased service backlogs, bigger investment, particularly in municipal infrastructure, is required to meet the growing basic needs of communities. Mechanisms, such as the use of public private partnerships, utilising financial instruments “such as leases and concessions, provide a mechanism for attracting investment in municipal infrastructure” (White Paper on Local Government, 1998: Section G).
- **Macro-economic implications and management:** “Municipalities form an integral part of the public sector and their actions can substantially affect national policy”, particularly from a macro-economic and fiscal perspective, which requires municipalities “to operate within the national macroeconomic framework and their financial activities should not be such as to destabilise macroeconomic fiscal policy” (White Paper on Local Government, 1998: Section G).
- **Accountability, transparency and good governance:** The process by which municipalities, particularly councillors and administration, are “held responsible and accountable to local taxpayers for the use of public funds” (White Paper on Local Government, 1998: Section G). Revenue and expenditure decisions must be rational, justified and explained, coupled with the reasons as to “why and how the revenue necessary to sustain that expenditure is raised”. The local government “fiscal system should be designed to encourage accountability”, “accounting and financial reporting procedures should minimise opportunities for corruption and malpractice”, “municipal budgeting and financial affairs should be open to public scrutiny” (White Paper on Local Government, 1998: Section G) and should include a capacity-building element so that people understand the process of policy and budget prioritisation. Community participation, particularly from vulnerable groups is crucial and should be encouraged.
- **Equity and redistribution:** This requires municipalities to, in terms of the White Paper on Local Government (1998: Section G) “treat all citizens equitably with regard to the provision of services” and further that “national

and provincial government must treat municipalities equitably with regard to intergovernmental transfers". The function of redistribution and the development of local communities is not only a function and responsibility of local government, but the entire system of government (i.e. all spheres). Everyone has a crucial role to play, particularly as it relates to the delivery and subsidisation of the provision of basic public services to communities. In this regard, the municipal equitable share and the provision of targeted subsidies to poor households by municipalities through cross-subsidisation between high and low-income consumers, as fiscal instruments for development, fulfils a key role to enable community development.

The Municipal Systems Act, 2000, supplemented by the MFMA, sets the broad legislative framework for municipal service provision. According to Section 74(2) of the Municipal Systems Act, "a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services". A municipality is expected to charge for various consumption services it provides such as "water, electricity, sanitation, refuse removal, planning and building permissions and the hiring out of municipal facilities".

Various sector legislation also regulates municipal tariff setting practices, such as the MFMA, its regulations and the various National Treasury circulars issued in this regard. Municipal tariffs and the tariff structures must be cost reflective and include "costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges", in relation to main revenue generation trading services, such electricity, water, refuse removal and sanitation as these services are expected to be structured and performed according to good business principles and, as a consequence, must produce a profit or be largely self-financing. It is good budget practice for municipalities to ensure sustainability of budgets and to ring-fence these main functions, where suitable.

4.6 ASSIGNMENT AND/OR DELEGATION OF POWERS AND FUNCTIONS IN TERMS OF SECTIONS 44, 99, 104, 126 AND 156 OF THE CONSTITUTION

In addition to the constitutional functions assigned to local government in schedules 4B and 5B, certain functions can be devolved by delegation or assignment from national and provincial governments to local government. The Constitution, in Section 156(4), entrenches the principles of subsidiarity and provides for the mandatory decentralisation of the administration of a provincial or national government function to a municipality where such function necessarily relates to local government, “if the matter would most effectively be administered locally”, if there is agreement and if it would facilitate better service delivery to the communities. In such instances, the legislative authority will remain with national and provincial government, while the administration of the function is assigned to the municipality, which implies that “the municipality is not simply being contracted to do things on behalf of national or provincial government as in the case of a delegation”, but that it takes full responsibility for determining how the function will be carried out, how financial and other resources will be allocated to the specific function and how the function will be executed and delivered. This provision in Section 154(6) requires that a government function should be performed as close to the people as possible and should be considered as an option by an assignor at all times.

The Municipal Structures Act of 2000 provides the framework and conditions by which the MEC for local government may reallocate a function or power. The MEC for local government may only do so if the municipality in which the function or power is vested lacks the necessary capacity to perform that function or exercise that power; “and the MEC has consulted the MDB and considered its assessment of the capacity of the municipality concerned”. Functions have been assigned to municipalities based largely on their capacity and, as a result, not all municipalities have the same powers and functions. For example, most local or category B municipalities are responsible for providing water and sanitation to their residents, but in weak capacity local municipalities that function is usually given to the district municipality instead. Several functions have been devolved to some municipalities but not others, providing a very direct form of differentiation in the system of functional devolution.

Assignment is a tool whereby the authority, duty and responsibility to exercise a power is transferred in full from one entity to another. Delegation represents a less complete transfer. The Constitution provides for the assignment of matters from the national or provincial spheres of governments to local government. In some cases, only legislative powers may be assigned, whilst in others only executive powers may be assigned. Assignment and delegation must always be done in writing and very specifically to ensure clarity and legal certainty.

Powers and functions may be assigned in a threefold manner, namely -

1. *General assignment of legislative and executive powers*, which is set out in Section 156(b) of the Constitution; Assignment of legislative power does not mean that every municipality is obliged to adopt by-laws on the topic – it is discretionary. Section 9 of the Systems Act prescribes a number of requirements for general assignments by legislation;
2. *Individual assignments of legislative powers*, whereby legislative powers can be assigned to specific municipal councils in terms of sections 44(1)(a) and 104(1)(c) of the Constitution. Legislative power in such circumstances is discretionary – in other words a municipality can choose whether or not to legislate. In terms of Section 44(1)(a)(iii) of the Constitution, existing national legislative powers or laws can also be assigned to a municipality as a “legislative body in another sphere of government”. In that case, such legislation becomes either provincial or municipal legislation given that it has been delegated, and the sphere of government to which it has been delegated to can amend or repeal it; and
3. *Individual assignments of executive powers*: sections 99 and 126 of the Constitution allow a national minister or MEC to assign executive powers to specific municipal councils.

When a constitutionally assigned function is delegated by national or provincial government to a municipality, the municipality takes full accountability and

responsibility to execute and deliver the delegated function under the guidance, authority and direction of the delegating authority. There is no prescription for municipality to strictly act in accordance or within the boundaries and limitations of the agreed-to agency or service level agreement. It is common practice in the country for provinces to regularly delegate the administration of some constitutionally assigned functions, such as clinics, libraries, archives, the execution of human settlements projects and emergency medical services to municipalities. The assignment of functions is deemed to be a more comprehensive method to devolving a function. To date, the researcher could not find an example of a full assignment of a national and/or provincial government function to local government either collectively or individually.

Municipalities can also use different and innovative service delivery mechanisms to deliver on their mandate. The Municipal Systems Act provides for various service provision mechanisms, which include the use of internal mechanisms, external mechanisms, establishment of multi-jurisdictional municipal service districts and the establishment of internal municipal service districts. The legislative framework does not prescribe what service delivery mechanisms municipalities must use for the provision of different services. The Municipal Systems Act and the MFMA do however provide processes for applying various available mechanisms and options. Municipalities that are authorised for water services (water service authorities), licensed to reticulate electricity or authorised for refuse removal have an option to decide on who should deliver services within their areas of jurisdiction. Many municipalities have entered into service level agreements with service providers, such as Eskom, water boards and private entities for the provision of various services.

4.7 TYPES AND CATEGORIES OF MUNICIPALITIES

The Constitution and other legislative frameworks for local government have never presumed that all municipalities are the same or that all municipalities should be treated in the same manner. The Constitution enshrines the principle of differentiation as an integral part of the local government system, as several provisions in major enabling legislation flowing from the Constitution allow for different types of treatment for municipalities.

Section 155 of the Constitution defines three different categories of municipalities as a broad framework within which to further refine the system. A “category A municipality has exclusive municipal executive and legislative authority in its area”, a “category B municipality shares executive and legislative authority in its area with a category C municipality within whose area it falls”, and a “category C municipality has municipal executive and legislative authority in an area that includes more than one municipality”. The different categories of municipalities were discussed earlier in this chapter in Section 4.2.2.4, when the definition of a ‘municipality’ was unpacked.

The Constitution, in Section 155(2), stipulates that “national legislation must define the different types of municipality that may be established within each category”. With regard to the demarcation of municipal boundary areas, the Constitution, in Section 155(3), indicates that “national legislation must establish criteria for determining when an area should have a single category A municipality or when it should have municipalities of both category B and category C”, it must “establish criteria and procedures for the determination of municipal boundaries by an independent authority”, as well as make “provision for an appropriate division of powers and functions between municipalities when an area has municipalities of both category B and category C”. Given the legislative requirement for the provision of municipal services in an equitable, fair and sustainable manner, it is possible that the division of powers and functions between a category B municipality and a category C municipality may differ from the division of powers and functions between another category B municipality and that category C municipality.

The Local Government: Municipal Structures Act (No. 117 of 1998) (Structures Act) has been enacted as the national enabling national legislation to, in accordance with the requirements of the Constitution, regulate the structure, type and form of municipalities in South Africa. The purpose of the Structures Act (1998) “is to provide for the establishment of municipalities in accordance with the requirements relating to categories and types of municipality; to establish criteria for determining the category of municipality to be established in an area; to define the types of municipality that may be established within each category; to provide for an appropriate division of functions and powers between categories of municipality; to regulate the internal systems, structures and office-bearers of municipalities; to provide for appropriate electoral systems”, and associated matters.

The Structures Act defines the type of municipality in each category, as well as the criteria for creating a 'category A' municipality. The Structures Act (1998) also "determines the appropriate division of powers and functions between categories" of municipalities and defines different types of municipalities in terms of their governance structures and electoral systems. Sections 7 to 11 of the Structures Act give effect to the provision for different types of municipalities within the same category by defining the different types of governance structures they may adopt. In other words, the Structures Act provides different options for governance structures in municipalities but does not differentiate between types of municipalities based on their fixed characteristics. Important to note is that any area that does not comply with the criteria for creating a category A municipality, will have both category B (local) and category C (district) municipalities. District municipalities were created to enable local government functions to be regionalised where appropriate. Legislatively, outside of the three categories listed in the Constitution, there are no other recognised types of municipalities in South Africa.

Section 155 of the Constitution further requires that "provincial legislation must determine the different types of municipality to be established in the province" and that "each provincial government must establish municipalities in its province" by legislative or other measures in a manner that is consistent with the national legislation enacted (i.e. the 1998 Municipal Structures Act) and that such provincial legislation "must provide for the monitoring and support of local government in the province; and promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs", i.e. to assist them to discharge their statutory obligations.

In the province of the Western Cape, the Western Cape Monitoring and Support of Municipalities Act (No. 4 of 2014) was enacted "to give effect to sections 154(1) and 155(6) of the Constitution of the Republic of South Africa, 1996, by making further provision for measures to support municipalities, to develop and strengthen the capacity of municipalities and to improve their performance; to give effect to Section 106(1) of the Local Government: Municipal Systems Act, 2000, by providing in greater detail for the monitoring of suspected non-performance and maladministration in municipalities; and to provide for incidental matters".

The Constitution, in Section 155(7), states that “the national government, subject to Section 44, and the provincial governments have the legislative and executive authority to see to the effective performance by municipalities of their functions in respect of matters listed in Schedules 4 and 5, by regulating the exercise by municipalities of their executive authority referred to in Section 156(1)”. Related to this, Section 160(1), (a) and (d) of the Constitution, “places all power relating to the performance of the municipality in the hands of the municipal council, who may assume responsibility for the employment of personnel, necessary for the effective performance of its functions”. According to Jessen (2012:50), “herein lies a major contention with respect to the political-administrative dilemma given that the Constitution does not advocate clarity on the political-administrative interface but does give municipalities the power to administer their own affairs”.

The Municipal Structures Act in Section 83, read together with Section 84(1) and (2), allocates the constitutionally assigned functions listed in Schedules 4B and 5B of the Constitution between local and district municipalities. Sections 84(3) and 85(1) of the Structures Act empowers the Minister and the MEC to adjust the functions and powers of local and district municipalities by way of public notice in the national and provincial Government Gazette, respectively. The assignment of certain duties, obligations and responsibilities concerning national or provincial government powers and functions, as discussed earlier in this chapter under Section 4.6, is subject to the provisions of the national enabling legislation.

In Section 83(3), the Structures Act provides that a district municipality is obligated to “seek to achieve the integrated, sustainable and equitable social and economic development of its area as a whole by ensuring integrated development planning for the district as a whole; promoting bulk infrastructure development and services for the district as a whole; building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking; and promoting the equitable distribution of resources between the local municipalities in its area to ensure appropriate levels of municipal services within the area”. This purpose, as set out in the Structures Act, is aligned to the original role of district municipalities as contained in the 1998 Municipal Structures Act, which is aligned with the vision contained in the White Paper on Local Government. It is clear that a local municipality

is usually assigned all the 'general' local functions, such as the provision of water and sanitation, sewerage, electricity reticulation, waste removal, and so forth.

In essence, although there was broad alignment, the definitions contained in Section 84 of the 1998 Structures Act were revised in 2000, which substantially amended the roles of responsibilities of category B (local) and category C (district) municipalities. Whereas the 1998 Structures Act limited the role of district municipalities to bulk infrastructure and provision, the definitions were extended to include reference to the 'full' local government function.

Therefore, where local municipalities had the 'original' power to perform primary local government functions, local municipalities must now first be identified and specially authorised by the Minister responsible for local government to perform the water, sewage, electricity or health function, or by a MEC responsible for local government (informed by the capacity assessment undertaken by the Municipal Demarcation Board) to perform the remainder of the local government functions not authorised by the Minister, such as waste disposal, roads and transport, firefighting or local tourism.

In terms of the final authorisations between category B and C municipalities made in 2002 by the then Minister for Provincial and Local Government in terms of the Municipal Structures Act, an asymmetric approach has been followed in respect of water and sanitation given that category B municipalities are authorised in certain instances and category C municipalities in others. Further, the status quo in respect of electricity (category B municipalities) must be maintained until the reform of the electricity distribution industry has been finalised, and district municipalities are authorised for municipal health (defined as environmental health services). The MECs for local government follow an asymmetric approach in respect of the remaining functions. Where the assignments by the Minister for Provincial and Local Government are permanent (excluding electricity), the MECs generally review the placement of powers and functions on an annual basis.

The Constitution, in Section 155(3)(b), provides for an autonomous body to "establish criteria and procedures for the determination of municipal boundaries". The Municipal Demarcation Board (MDB) was established to perform this function and is also tasked with assessing the capacity and ability of municipalities to perform their constitutionally assigned functions. Section 85(4) of the Structures Act provides that the MDB must

“consider the capacity of a district or local municipality to perform the functions and exercise the powers vested in the municipality in terms of Section 84(1) or (2) when determining or re-determining the boundaries of the district and the local municipalities; or when requested in terms of subsection (2)(b) by the MEC for local government in the province concerned to do so; and convey its assessment in writing to the relevant MEC”.

A consequence of such authorisations is that the transfer of staff, assets, liabilities, and so forth, will have to follow such an authorisation. Over time it has been found that there are substantial overlaps in provision of services between district and local municipalities, creating major delivery challenges in the local government sector and “clouding” good governance performance.

4.8 COOPERATIVE GOVERNMENT AND Intergovernmental Relations: MUNICIPAL, PROVINCIAL AND NATIONAL GOVERNMENT COORDINATION AND COOPERATION

The Constitution and cooperative government were covered earlier in this chapter, in Section 4.3.2. As indicated, the constitutional basis for coordination, cooperation and coherence is set out in Chapter 3 of the Constitution, which defines cooperative government as a set of principles that should drive effective collaboration in policy-making across the three spheres. Section 41(1)(c) of the Constitution calls on “all spheres and all organs of the state” to “secure the well-being of the people of the Republic” and provides for “effective, transparent, accountable and coherent government for the Republic as a whole”. This provision is supported by principle (iv) in Section 41(h), which refers to cooperation in mutual trust and good faith between the spheres by “coordinating their actions and legislation with one another”.

Section 41(2) of the Constitution provides for the establishment of an Act of Parliament to “provide for structures and institutions to promote and facilitate intergovernmental relations”. The Intergovernmental Relations Framework Act (2005) (IGRF Act) was promulgated to give effect to this provision, but to date no other subordinate legislation has been established to provide more substance to the principles of Chapter 3 of the Constitution. The IGRF Act concretises and gives effect to the principles of co-

operative government and governance in a wide-ranging legislative framework appropriate to all government spheres and in all sectors of government. The IGRF Act sets out the general principles and objects of intergovernmental relations (IGR) and provides a framework that redefines the IGR structures of provinces to ensure more coherent intergovernmental relations and closer synergy and alignment between provincial and local government. Its approach is to provide limited legislative intervention so as not to stifle a dynamic system of intergovernmental relations, but rather to promote cooperative government and coordination through a structured approach. The focus of IGR is primarily on the outcomes that the system must achieve, such as coherent government, effective provision of services, monitoring the implementation of policy and legislation and the realisation of national priorities.

The IGR system is intended to facilitate and promote shared information and coordinated decision-making between the three spheres of government. However, as expressed by Cyril Ramaphosa, President of the Republic of South Africa, in his Presidency Budget Speech (2019), in order to maximise the impact of service delivery on the citizen, the “structures of government will need to function with maximum coordination and cooperation as it is envisaged in the Constitution”. In his speech, President Ramaphosa (2019) emphasises that notwithstanding South Africa’s constitutionally determined IGR system, “the truth is that lack of coordination between the national and provincial governments, between departments and particularly at local government level, have not served us” as the three spheres have “slid into a pattern of operating in silos”, which has resulted in a “fragmented approach to development, lack of coherence in planning and implementation and has made monitoring and implementation of government’s programmes difficult”. Through the use of the intergovernmental technical and political forums at national, provincial and district level, the application of intergovernmental relations, according to the National Treasury (2011) is expected to:

- Coordinate and align priorities, budgets, policies and activities across interrelated functions and sectors; and
- Ensure a smooth flow of information within government, and between government and communities, with a view to enhancing the implementation of policy and programmes.

(National Treasury (2011))

However, in reality, the IGRF Act only guides the establishment and constituencies of structures to manage and coordinate intergovernmental relations, as well as provide guidelines for settling intergovernmental disputes. The principles of Chapter 3 of the Constitution more aptly capture the spirit of cooperative governance. No framework has been provided to date for the specific institutionalisation of coordination beyond the use of the coordinating structures and the application of voluntary cooperation. The IGRF Act will not solve the IGR problems and therefore an improved application of Chapter 3 of the Constitution is required, which can include further exploring shared services arrangements but in different ways, such as agency agreements and bilateral horizontal cooperation agreements, all aimed at improving IGR within and across the three spheres of government.

The Democracy Development Programme (2018) acknowledges that the IGRF Act “will not by itself achieve the desired outcomes of cooperative government” and that “non-statutory measures must ensure that the system works in a predictable yet flexible manner by strengthening intergovernmental relations processes, the functioning of intergovernmental forums, and the implementation of joint work and programmes”. While the vision set out in the IGR framework (Constitution and legislation) is progressive, the realities and challenges of that broad framework for province and municipalities require a more provincial specific approach to ensure more efficient management of the relationship between the three spheres, but particularly between provincial and local government.

It was observed in the first IGR Report to Parliament by the DPLG (2005/06 – 2006/07) (2018) that many informal networks and liaisons worked very well to promote coordination, but “that the establishment of IG Forums is a necessary, but not a sufficient condition” for effective inter-governmental relations. This element of coordination can thrive on a voluntary basis, but may not be sustainable in situations where budgetary resources are in contestation, or where trade-offs have to be made in respect to service delivery choices and longer-term viability for which structural oversight is still needed to ensure proper balance between structures for coordination, and focused organisational form for policy coherence, oversight and coordination.

The assumption and underlying philosophy underpinning cooperative government, as taken up in the Constitution and the IGRF Act, is that the three spheres of government would, as a collective, work together organically, instinctively and spontaneously. However, it is exactly because of the failure of the three spheres of government to work together in this manner that the need and requirement arises for a more bespoke approach to intergovernmental relations. The intergovernmental relations structures must be aligned with the vision of the IGRF Act and a proliferation of structures is detrimental to effective governance of both the province and local government. Some key structures advocated by the IGRF Act to ensure a structured and coordinated working relationship between a province and local government, include:

1. The **Premier's Coordinating Forum (PCF)**, which should be the primary political-administrative IGR forum and serve as an interface between the provincial and local government consisting of the premier (as the chair) and all MECs, the mayors of all municipalities supported by the director-general (DG), heads of departments (HODs) and municipal managers. It should include the cluster (i.e. social, economic, governance and administration) component as this is meant to bring synergy between the province and local government.
2. The **Premier's Coordinating Forum Technical Committee**, a technical forum between the DG and his/her officials, municipal managers and their designated representatives to support the PCF and, on a technical level, consider policy implications of provincial and national legislation for local government, as well as attend to the needs of the municipalities, such as the development of by-laws and regulations.
3. The **Premier's Metro Coordinating Forum (PMCF)**, which in terms of the IGR Framework Act, is the Premier's prerogative to establish "any other IGR forum(s) he sees fit". This PMCF can consist of the premier, the executive mayor, MECs, members of the mayoral committee, the director-general and HODs of provincial departments, city manager and the executive directors of a city (metro municipality). A technical committee (PMCF-Tech) could be established between the administrative heads of the province and the metropolitan to support the political PMCF structure

and to improve intergovernmental coordination in the areas of the economy, social and community, and governance.

The consequences of poorly coordinated and managed policy-making and implementation have arguably contributed to certain performance stresses experienced at each sphere of government. The practice of integrated planning, functional coordination and cooperative governance requires strong institutions with strong political and administrative leadership. On the other hand, cooperation between the spheres of government and municipalities holds huge potential for enhanced municipal organisational performance and service delivery. Increased cooperation between spheres of government and municipalities can take many forms and can range from sharing of knowledge to joint service delivery and joint planning.

A legislative and policy framework in support of inter-municipal and intergovernmental cooperation is already in place. Part of the reason for the existence of district municipalities is to allow for the regionalisation of services where appropriate. Section 88 of the Municipal Structures Act stipulates that local and district municipalities must cooperate, assist and support each other. Sections 78 to 81 of the Municipal Systems Act provide the regulations for a service authority (local or district municipalities) to decide on the mechanisms of service provision. In addition to delivering the service themselves (internal mechanisms), different forms of municipal service delivery partnerships are laid out (external mechanisms.). Amongst these are:

- Outsourcing mechanisms to municipal entities;
- Entering into partnering and service delivery agreements with another municipality to provide the service; and
- Setting up of an independent entity by two or more municipalities for the purpose of delivering specific services.

The White Paper on Municipal Service Partnerships (MSP) (2000) refers to both, i.e. cooperation between local government and the private sector but also to partnerships between public actors (e.g. inter-municipal cooperation). In practice, however, MSP came to be regarded as a mechanism to promote public-private service delivery

mechanisms in local government. The public-public cooperation mechanism was further developed as part of promoting the 'shared services centre' (SSC) model. Shared services are also highlighted in the 5-Year Local Government Strategic Agenda, as well as in Outcome 9 of the South Africa government's 12 Priority Outcomes. However, this model is limited in various ways. First, it is linked to the debate around the division of powers and functions between district and local municipalities and so inter-municipal cooperation is not discussed in its own right.

Unfortunately, the shared services model came to be viewed as an inter-municipal service delivery cooperation mechanism between a district municipality and its local municipalities and little consideration was given to the potential of horizontal (local-local) inter-municipal service delivery cooperation. The second limitation of the shared services centre model was that it focuses on back-office functions and not on how cooperation can enhance the delivery of basic services. Not many shared services centres have actually been set up (despite Project Consolidate incentives) and, as government has put aside the shared services centre model, it has to be assumed that the concept was not embraced by municipalities.

Section 88 of the Municipal Systems Act also provides that the Minister of Cooperative Governance may "request two or more municipalities to establish designated multi-jurisdictional municipal service districts". Municipalities then have two months to decide whether to implement such a joint services area or not. Although inter-municipal cooperation has not been broadly embraced there are some examples, such as the delivery of water services and fire services by both district and local municipalities, where it has been implemented successfully.

Voluntary horizontal cooperation of municipalities can be organised in a multitude of different ways and forms and can be facilitated through several mechanisms provided in South Africa's local government system. Other national intergovernmental coordinating structures include the President's Coordinating Committee (PCC), the Budget Council, the FOSAD (Forum of South Africa Directors-General), and MinMECs¹⁶. All of these structures provide for information sharing and adopt

¹⁶ The MinMEC structure consists of the national Minister for DCoGTA and the nine MECs. The provincial MECMay structure consist of the MEC of DCoGTA (local government) and the respective municipal mayors.

resolutions and recommendations that may have to be implemented at provincial or local level. The provincial municipal/MEC structure of MECMays provide for liaison between local and provincial role-players, and the MinMECs between sector ministries and provincial government ministries (MECs).

Greater cooperation across boundaries has enormous potential to smooth over differences in functionality caused by differences in the size and shape of municipalities and should be considered and promoted as a potential mechanism to improve service delivery. The main benefits of proper coordination and cooperation can be summarised as follows:

- Demand orientation: As compared to top-down approaches, inter-municipal cooperation puts municipalities in the driving seat to define with whom to cooperate, on what and how. It thus holds the promise of being much better geared to the specific demands and needs of the municipalities.
- Capacity building: Inter-municipal learning mechanisms (e.g. knowledge sharing and peer learning) can build individual and organisational capacities of municipal practitioners.
- Potential savings: Through inter-municipal learning mechanisms, municipalities can learn from the best practices of other municipalities. This prevents municipalities having to 're-invent the wheel' and thus might save them money.
- Economies of scale/increased value for money: Inter-municipal service associations – i.e. inter-municipal cooperation mechanisms with regard to the delivery of municipal services – are expected to help build economies of scale (which do not concur with municipal borders) and to minimise the costs for each single municipality.
- Risk sharing: Through inter-municipal service associations municipalities can share the risk of public investment.

In relation to policy making, the constitutional provisions guiding policy making are found in Chapter 5, Section 85(2) of the Constitution, which refers to the executive

authority of the Republic, which is vested in the president and who, with his or her Cabinet exercises that authority by developing and implementing national policy. This is echoed in Chapter 6, Section 125(2) of the Constitution, as the same responsibility is conferred via the executive powers of the premier of a province. The Constitution does not refer or provide any procedures for the implementation of national or provincial policy directives at local level. There is no explicit reflection on local government powers regarding policy-making. Local government's powers are far more clearly centred upon delivering services through the exercise of powers and functions, the exercise of necessary by-laws, raising of revenue and taxes, and the council's role of approving local policy, budgets and plans.

There is a lacuna between the intergovernmental 'fit' between local government, endowed with its own functional responsibilities, and the other two spheres with their own regulatory and oversight responsibilities and spending programmes. Both these tasks have generated complex problems of intergovernmental coordination and policy sequencing. Municipalities are expected to respond immediately to the myriad of national and provincial policies seeking to redress poverty, promote economic development and build sustainable communities. This places enormous pressure on the capacity and ability of municipalities to reconcile or align sector policies and budgets with their statutory integrated development plans.

However, according to a 2016 article in *The Citizen*, in the local government space, it is the municipal councils "who approve policies and by-laws for their area" and further "the work of the Council is coordinated by a Mayor who is elected by council and is assisted by an executive or mayoral committee, made up of councillors from the ruling party". The executive committee is elected by council whilst the mayoral committee is appointed by the mayor. In some very small municipalities, the entire council as elected members or public representatives, forms the mayoral committee and, in that case, it is known as a plenary council. From an institutional accountability perspective, the mayor, together with the executive or mayoral committee, manages and directs the activities of the administration, particularly the activities of the municipal manager and department executive heads.

Given the recent upsurge in community disputes, clashes and protests between communities and their respective municipalities, ostensibly due to lack of service

delivery, Baatjies (2009:11) explains that “the advent of co-operative governance and public participation grows in importance, since municipalities require resources and have the need to build its capacity, provincial and national government are required to act constitutionally and in good faith in offering support to struggling municipalities”.

4.9 PUBLIC/STAKEHOLDER CONSULTATION, PARTICIPATION AND ACCOUNTABILITY

The Constitution, in Section 152(e), places a responsibility on every “municipality to encourage the involvement of communities and community organisations in the matters of local government”. It also requires municipalities to prescribe to the following democratic values as set out in Section 195(e) and (g), particularly that (a) peoples’ “needs must be responded to, and the public must be encouraged to participate in policy-making”; and (b) transparency “must be fostered by providing the public with timely, accessible and accurate information”. The 1998 White Paper on Local Government sets the long-term vision and objectives for developmental local government, in the main, as “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”.

In *Borbet South Africa (Pty) Ltd and Others v Nelson Mandela Bay Municipality* (3751/2011) [2014] ZAECPHC 35; (2014) (5) SA 256 (ECP), the point is made that the “Structures Act, the Systems Act and MFMA give expression to the constitutional obligations of the local sphere of government and reflect the means by which national government ensures the effective performance by municipalities of the functions of local government”. In this case, and with specific reference to Section 16 of the Systems Act, Judge Goosen (2014: para. 15) makes the point that the “use of the phrase ‘develop a culture of municipal governance’ suggests that a municipal council is obliged to take steps to extend and deepen its democratic processes”. The Judge further emphasises that the municipal council “must ‘create conditions’, ‘build capacity’ and, most importantly allocate resources to comply with its obligations. It is required to take these steps in relation to encouraging public participation in the preparation and implementation of its Integrated Development Plan (IDP) and the preparation of its budget”, and that the municipal council “is also obliged to communicate information

concerning the available mechanisms, processes and procedures to encourage and facilitate community participation”.

These values, principles and philosophies must be transformed into practise and, therefore, the Systems Act, in sections 16 and 17, “provides that a municipality must involve the community in matters such as the preparation of the IDP, budget, performance management system” and the provision of services. Given the importance of public and community participation in developmental local government, the Systems Act dedicates an entire chapter by providing comprehensive and in-depth guidance and direction on how to accomplish effective community participation and involvement in municipal processes.

The Systems Act, in Section 17 suggests that “participation by the local community in the affairs of the municipality must take place through political structures”. Section 16 of the Systems Act prescribes that stakeholders (communities, business and citizens) must be actively involved and engaged in the finalisation of the municipality’s strategic Integrated Development Plan.

Sections 42 of the Systems Act and 15 of the Local Government: Municipal Planning and Performance Management Regulations, GN 796 dated 24 August 2001, places a statutory obligation on municipalities to ensure that “communities must be involved in the development, implementation and review of the municipality’s performance management system”. Further, the legislation explicitly regulates that communities must also be involved in and “participate in the setting of appropriate key performance indicators and performance targets for the municipality”.

The Structures Act regulates and prescribes the important structures through which public participation is to occur as well as key role players that must be involved in the process. One of these structures is ward committees. The responsibility to inspire broad public involvement and participation in key processes and to make suitable mechanisms available to facilitate public participation, is not limited or restricted only to these structures. Sections 72 to 78 of the Structures Act provides for the establishment of ward committees, their functions and powers and related matters. The main purpose of a ward committee is to improve “participatory democracy in local government”. The committee acts as an advisory body and does not have any decision-making or executive powers. It is designed as an authorised specialised

participatory structure in a municipality to enhance public consultation, public participation, transparency and accountability.

The prime areas of public participation should include at least the following: the adoption of by-laws and policies; adoption of the IDP; approval of budget, rates and tariffs; spatial and human settlement development and planning; application and continuous review of the municipality's performance management system; land use planning; property management; and liquor licences.

Section 23 of the MFMA explains the consultative and public participation processes that must be followed in relation to a budget that has been tabled, until its final approval. The MFMA, inter alia, requires that "a council must consider any submissions received from the public or national treasury and to give the mayor an opportunity to respond to such submissions" and it allows for an advertisement or notice period. It also provides and sets out the procedure for considering comments and a mechanism for amending a tabled budget before final approval in council.

Ras (2016:33) makes the point that the "new democratic South African local government legislation regime is comprehensive and elaborate to the extent which makes performance monitoring and reporting peremptory". He elaborates and highlights that "performance monitoring is intended to constantly monitor performance of municipalities in fulfilling their developmental and service delivery mandate and if developed and implemented proper performance monitoring can become a powerful tool for building a high performance municipality and bridging the gap between planning and implementation" (Ras, 2016:33).

One of the cornerstones of the Constitution is the concept of democracy. Participatory democracy, being one of three forms of democracy, allows individuals and bodies to participate in decision making that affects them. As an example, Section 195 covers the "basic values and principles governing public administration", espoused in Section 195(1) of the Constitution:

- In Section 195(1)(e), "people's needs must be responded to, and the public must be encouraged to participate in policy-making"; and
- In Section 195(1)(g), "transparency must be fostered by providing the public with timely, accessible and accurate information".

Section 5(1) of the Systems Act is another good example of participatory democracy.

Direct democracy refers to mechanisms that may be used by individuals and groups who feel that their interests are neglected by political parties, or find it difficult to make use of the avenues for participation. Section 17 of the Constitution provides a good example when indicating “everyone has the right, peacefully and unarmed, to assemble, to demonstrate, to picket and to present petitions”.

According to Ras (2016:50), pursuant to constitutional democracy and given the specific legislative requirement for communities to participate in determining and setting suitable key performance indicators targets for the institution, many concerns emerged and were clearly noticeable, particularly during the local government transition phase, essentially from inside the fundamentally inherited local government organisations against the new constitutional and legislative provisions. Some question and concerns that arose during the pre-1994 dispensation was that it was inconceivable that people and communities would “be allowed to be involved with complex issues such as the setting of appropriate key performance indicators and performance targets for a municipality”. Ras (2016) attributes these concerns “largely because the skills set required to adapt to this new developmental approach differed dramatically from traditional approaches to management and even more so in relation to performance measurement”. Ras (2016:50) explains that under the post 1994 regime attention shifted from only focusing on performance by individual specialists and progressed to following the private sector’s so-called ‘bottom line (of the balance sheet) approach’ to the performance assessment of the entire organisation.

The Constitutional Court of South Africa made two ground breaking rulings that, in many respects, assisted in reducing the struggle and resistance in the local government system against public participation and consultation. In the judgments *Doctors for Life International v Speaker of the National Assembly and Others* (CCT12/05) (2006) ZACC 11; 2006 (12) BCLR 1399 (CC); 2006 (6) SA 416 (CC) and *Matatiele Municipality and Others v President of the Republic of South Africa and Others* (1) (CCT73/05) (2006) ZACC 2; 2006 (5) BCLR 622 (CC); 2006 (5) SA 47 (CC), the Constitutional Court judges voiced their collective concerns and came out “strongly against public bodies that fail to consult communities on matters affecting their rights

and well-being". Nowadays, according to (Ras, 2016:50), effective, public participation and consultation "is now standard practice" and it is prioritised and seen as one of the "most important matters affecting the external environment of municipalities".

Accountability refers to the constitutional obligation of government to be accountable and an added requirement to respond to the 'will of the people'. Accountability requires the government to explain its laws and actions. Should government fail to do so, they may be in conflict with some of the provisions in the Bill of Rights, for example the right of access to information and administrative justice.

The good governance principles of openness, transparency and accountability are fundamental to the requirements of sections 152(1), 160(7), 195(1) and 215(1) of the constitution in that it regulates these principles in the following manner:

- "Section 152 of the Constitution sets out that "the objects of local government are"-
 "(a) to provide democratic and accountable government for local communities"; and ... "(e) to encourage the involvement of communities and community organisations in the matters of local government."

Section 160(7) of the Constitution provides that "a Municipal Council must conduct its business in an open manner, and may close its sittings, or those of its committees, only when it is reasonable to do so having regard to the nature of the business being transacted". Section 195(1) of the Constitution requires that "public administration must govern by the democratic values and principles enshrined in the Constitution", amongst others:

"(a) a high standard of professional ethics must be promoted and maintained"; ... "(d) services must be provided impartially, fairly, equitably and without bias"; "(e) people's needs must be responded to, and the public must be encouraged to participate in policy-making"; "(f) public administration must be accountable"; and "(g) transparency must be fostered by providing the public with timely, accessible and accurate information".

Section 215(1) of the Constitution requires “national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector”.

4.10 CONCLUSION AND SUMMARY

The review of multi-level government in South Africa provides a mixed picture. In each of the areas of service delivery significant governance deficits have been identified. Notwithstanding this, some progress has been made post democracy particularly in that improved access to basic services has been made possible. Some remaining challenges are to improve the effectiveness of the IGR system in order to improve performance and the socio-economic conditions of people.

The Constitution initiated a new regime in South Africa, of which a significant part was the move away from a system advocating levels of government to a multi-sphere system of government where each sphere is now distinct, independent and interrelated. South Africa has transformed into a unified or united state, allowing for a multi-level or quasi federal system of government wherein powers and functions have been vertically divided between the three spheres of government. The chapter highlights that none of the three spheres of government have complete independence – they co-exist and are interrelated and must cooperate in delivering the services of government. Each sphere has relative autonomy for those functions for which they have a constitutional mandate, allowing for some degree of independence in exercising its powers and functions. The South African intergovernmental system also allows for the separation of power between the executive, legislative and judicial branches, which allows for the distribution of powers and functions between the three spheres of government and thereby divides government into three distinct components. This chapter highlights that almost every single component of the post 1994 intergovernmental system was new.

Post 1994, most public institutions and their practices had to be created and executed, but in a very short time in the face of unusual developmental challenges, mainly as a result of the apartheid legacy, and associated fiscal challenges given the history of local government. Reflecting on the road travelled during the transformation period,

the surprise is not that South Africa has fallen so short, but rather how successful it has been in establishing a working system of multi-level governance.

More than twenty years after democracy was attained, there is now a clear need to reassess the powers, functions, roles and responsibilities of the three spheres of government as this process allows for a detailed assessment of the future role and structure of developmental local government. One can argue that such a review or reassessment should also include the regulatory framework. Some rationalisation and streamlining of rules is arguably necessary to improve the governance of municipalities. Notwithstanding the many challenges, attaining the objectives of development local government is possible, but it will require a concerted effort by the political executive, the administration and community stakeholders to keep each other accountable for service delivery and the creation of public value.

It is clear that the myriad of legislation, frameworks and policy instruments as this relates to organisational performance management in South Africa has provided clear directives for the implementation of performance management in municipalities. Organisational performance management aims to align the objectives of the legal, institutional and organisational frameworks in such a manner, as is required to gear the municipality to achieve outputs and outcomes of a high standard in providing services to communities and creating public value.

On the challenges, it is clear that government must find sustainable solutions for improving intergovernmental relations and co-operation, address the separation of powers and functions dilemma, some over-regulation in certain areas and deal with capacity challenges to enabling local government to perform. There is a need to strengthen the enforcement and setting of standard minimum outcome performance indicators linked to the Section 152 objectives of local government. The legal and regulatory frameworks facilitate the use of performance indicators to measure organisational and individual capabilities and outputs in satisfying stakeholder demands, internal growth and development at South African municipalities.

What is clear from the chapter is that the management and improvement of organisational performance requires the following 'non-negotiable' principles to be recognised: the need for leadership, effective intergovernmental relations, community participation, transparent government, recognition and the responsible use of scarce

resources and a skilled and motivated workforce. It requires a full delivery chain, i.e. a performance monitoring mechanism, starting with 'outcomes' to be achieved, after which the outputs, activities and inputs are recorded and evaluated. To be effective, the key is to ensure: (i) support and buy-in from all employees as opposed to 'achievement by coercion' in the implementation of the full delivery chain; (ii) credible, validated, timely information on each phase of delivering outputs; and (iii) reporting service delivery outcomes and financial information from a effectiveness, efficiency, economy/quality, access, equity, timeliness and financial perspective.

Finally, this Chapter, connects to Chapter 5 which explores the legislative and regulatory policy oversight and financial governance framework with respect to municipal organisational performance and governance in South African local government.

CHAPTER 5: LEGISLATIVE, POLICY, OVERSIGHT AND FINANCIAL GOVERNANCE FRAMEWORK FOR LOCAL GOVERNMENT ORGANISATIONAL PERFORMANCE IN SOUTH AFRICA

5.1 INTRODUCTION

The local government functional system and framework in the context of the overall intergovernmental relations system of the country was extensively discussed in Chapter 4. In addition, Chapter 3 defined and discussed the concepts of 'organisational performance' and 'performance management', with a particular focus on the public sector, and inclusive of the many theoretical frameworks and conceptual models developed on this subject. Chapter 3 also unpacked the reasons and root causes for organisational performance failures, particularly from the viewpoints of some key external institutions that report on and monitor performance of the local government sector.

This main aim of this chapter is to unpack the legislative, regulatory and policy framework with respect to municipal organisational performance and governance in South African local government. The chapter also includes an analysis of the legislative and policy framework as it relates to financial governance and oversight, particularly by municipal councils, external and internal assurance providers, the main oversight institutions and by key stakeholders. Finally, this chapter sets out the legislative and regulatory requirements as they relate to the intervention and supervision mechanisms available to the provincial and national executive in the event of performance failures in municipalities. Chapter 5 connects, and should be read in conjunction with, chapters 3 and 4.

5.2 ORGANISATIONAL PERFORMANCE: CONTEXT

Venter, et al. (2007:111) describe performance management "as a multidimensional construct, the measurement of which varies depending on a variety of actors that compromise it" and "is the outcome of work because it provides the strongest linkage to the strategic goals of the institution, customer satisfaction and economic contributions". Given its many public sector service delivery performance failures, the public sector in South Africa has recognised the important role of performance management and that it can assist government to determine what strategies, policies

and processes are successful and make a difference in the lives of communities and why. It is about measuring and instituting necessary controls to ensure delivery in accordance with agreed upon standards. This aligns with the frequently quoted proverb of the management thinker Peter Drucker (2018), who states: “you can’t manage what you can’t measure” and “what gets measured, gets managed”, implying that you cannot recognise or distinguish whether or not you are effective and successful unless the effectiveness or success standards and measurements are defined and tracked. Venter, et al. (2007:111) make the point that effective performance management, as part of good governance, and a suitable system of performance or result measurement should be regarded as a tool that enables good governance as these provide “meaningful information to assist stakeholders that may be utilised for improvements in the service delivery processes” and that guarantee that the local government sphere reaches its developmental objectives.

The table below provides key pieces of statutes, regulations, policies and guidelines that capture the legislative foundation for performance management in South African local government.

Table 5.1: Key Statutes, Regulations and Policies for Local Government Performance

Acts and laws	Regulations	Policy determinations, frameworks and circulars
<p>The Constitution of the Republic of South Africa (1996)</p> <p>The Organised Local Government Act (No. 52 of 1997) (OLGA)</p> <p>The Local Government: Municipal Structures Act (No. 117 of 1998) (Structures Act)</p> <p>The Local Government: Municipal Systems Act (No. 32 of 2000) (Systems Act)</p> <p>The Local Government: Municipal Finance Management Act (No. 56 of 2003) (MFMA)</p>	<p>The Local Government Municipal Planning and Performance Management Regulations, dated 24 August 2001</p> <p>The Local Government Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, dated 1 August 2006</p> <p>The Local Government Municipal Budget and Reporting Regulations, dated 17 April 2009</p>	<p>The White Paper on Transforming Public Service Delivery (1997)</p> <p>The White Paper on Local Government (1998)</p> <p>National Treasury: Framework for Managing Programme Performance Information</p> <p>Circulars and guidelines issued by the National Treasury in terms of the MFMA</p> <p>Circulars and guidelines issued by the Department of Co-operative Government and Traditional Affairs (CoGTA)</p>

Annexure 5 provides a quick guide to the various main pieces of legislation and policy frameworks that regulate and impact on the overall functioning and performance of local government (municipal performance) in South Africa. What follows is a high level analysis of the practical implications of these main pieces of legislation and policies that regulate organisational performance in local government.

5.3 LEGISLATION AND POLICY GOVERNING ORGANISATIONAL PERFORMANCE IN LOCAL GOVERNMENT

5.3.1 The Constitution of the Republic of South Africa (1996)

As extensively outlined in Chapter 4 of this dissertation, the Constitution of the Republic of South Africa (1996) (the Constitution) sets aside an entire chapter to exclusively deal with matters affecting the local government sphere, including setting out and listing the developmental duties and objectives of local government (municipalities).

In Section 152, the Constitution (1996) deals with the objectives of local government, which provide the basis and paved the way for performance management in local government with the explicit requirement of an ‘accountable government’. The Constitution determines the objects of local government as:

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a suitable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.

(RSA, 1996)

Section 152(1)(a) of the Constitution provides one of the objects of local government as “democratic and accountable government for local communities”. This object of

local government provides specifically for good corporate citizenship, and is further elaborated on by the Institute of Performance Management (2012), which defines good corporate citizenship as being “all about how the municipalities set their priorities through the performance management system as per the IDP, conduct their business as per the SDBIP and relate to the community they serve through community input and public participation”.

The Constitution (1996) provides that a municipality, in striving to give effect to the objects of local government as set out in Section 152(1) of the Constitution, must do so “within its financial and administrative capacity”. According to the Performance Management Policy Framework of Beaufort West Municipality (2009:6), the democratic values and principles set out in Section 195(1) of the Constitution directly connect with the concept of municipal performance management, particularly referring to the principles of “the promotion of the efficient, economic and effective use of resources, accountable public administration, displaying transparency by making available information, being responsive to the needs of the community, and by facilitating a culture of public service and accountability amongst staff”.

The Constitution also creates the framework for numerous pieces of enabling legislation enacted to regulate municipal performance assessment, monitoring and reporting. These are set out in Table 5.1 above.

5.3.2 Framework for Managing Programme Performance Information

The Government-wide Monitoring and Evaluation Policy Framework (GWM&E) (2007) also emphasises that monitoring and evaluation is key in realising a more effective public sector. In the GWM&E framework, the National Treasury is recognised as the main department responsible for programme performance indicators, which is in line with the National Treasury’s statutory or constitutional authority for government performance information and responsibility for prescribing, in accordance with Section 216(1)(a), “measures to ensure transparency and expenditure control in each sphere of government” This is set out in sections 215 and 216 the Constitution. The Framework for Managing Programme Performance Information (FMPPI) (2007) was issued by the National Treasury to regulate how performance of government will be

managed and reported on. Given the importance of government delivery within the provincial and national government space, the responsibility for programme and performance management has since been made the responsibility of the Department of Performance Monitoring and Evaluation (DPME) within the Presidency since 2009. The main objectives of the FMPPI (2007) include:

- Outlining the key roles and responsibilities for managing programme and performance information and evidence;
- Promoting accountability to national parliament, provincial legislatures, municipal councils and the public through timely, accessible and accurate publication of performance information;
- Clarifying standards for performance information, supporting regular audits of non-financial information where appropriate; and
- Improving the structures, systems and processes required to manage performance information.

The FMPPI (2007) also provides a framework for “key concepts in the design and implementation of management systems to define, collect, report and utilise performance indicators in the public sector”. Within the local government context, the implementation of an integrated performance management system is generally regarded as a good governance practice as it provides a solid foundation that guarantees sustainable methods for attaining good governance standards and requirements, legislative conformance and ensuring the attainment of community needs. Effective performance management systems require continuous assessment, refinement and review of key processes, such as planning, budgeting, implementing, monitoring, reporting and evaluating the effectiveness of policy implementation.

Given the MFMA requirements for non-financial reporting against service delivery objectives, a statutory obligation was introduced within the local government environment for the implementation of service delivery budget implementation plans (SDBIPs) as defined in the MFMA, as another form of managing municipal performance to improve delivery and accountability in municipalities. The SDBIP has a clearly defined statutory format, and sets performance goals, indicators and targets.

The implementation of the SDBIP is required to be measured on a quarterly basis and as part of the statutory mid-year or six-monthly performance implementation and reporting process.

Section 53(c)(ii) of the MFMA (2003:72) requires that within 28 days of the approval of the budget the mayor must approve “the municipality’s service delivery and budget implementation plan”, which includes quarterly financial and non-financial performance targets and that performance agreements of the municipal manager and all senior managers, in terms of Section 53(3)(c)(bb), “are linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan” and, to improve accountability, that such SDBIP be made public within 14 days of approval by the mayor. The linking of the performance agreements of the municipal manager and the senior managers to the objectives and targets as set out in the SDBIP form an essential part of the specifics that will be measured by the performance management system.

Given the linkages, the completion of the annual SDBIP, including the quarterly financial (budget) and non-financial targets, requires detailed planning and consultation prior to completion and approval. The SDIP must include project plans and detailed cash flow forecasts as essential elements to ensure that SDBIPs are credible, meaningful and implementable.

One of the most difficult parts of the SDBIPs remains the setting of credible and meaningful performance targets and indicators that are specific, measurable, achievable, realistic and time bound. De Bruijn (2007:19) warns against the risk of “negative strategic behaviour and gaming of the numbers” and makes the point that municipalities must guard against merely going “through the motions” and should “deliver an SDBIP with easily measurable indicators and even more achievable targets”. In addition, although compliance and conformance to legislative requirements are non-negotiable given the tight timelines for the SDBIP approval, the focus should not be to prioritise the completion of the SDBIP over its substance and content. The SDBIP may be seen as adequate during evaluation and assessment by those tasked with its adjudication, yet it can be non-compliant with legislative and policy requirements and not entirely linked to performance outcomes and development objectives of local government, as required set out in Section 152 of the Constitution.

According to the Guidelines for Framing Performance Indicators for Metros in South Africa (2013:8), the National Treasury's discussion document recognises "that all metros already measure their performance in delivering services, infrastructure and housing through extensive existing indicators". The National Treasury makes the point that "most metros do this as part of their established internal performance management and monitoring functions which themselves have been rapidly evolving and improving". The National Treasury emphasises that these processes, systems and instruments have been constructed based on the legislative requirements as they relate to the "integrated development plans (IDPs), medium term revenue and expenditure frameworks (MTREFs), and service delivery and budget implementation plans (SDBIPs)".

In the case of metros, and which can be applied to most of the secondary cities in South Africa, "more systematic monitoring and evaluation of performance in relation to urban integration and spatial and sustainable built environment transformation is critical to all". According to Turok, et al. (2013). (cited in the National Treasury's Guideline for Framing Performance Indicators for Metros in South Africa, 2014:5), the City Support Programme (CSP) was introduced by national government in 2012, mainly aimed at accelerating "the process of spatial transformation in South African cities and towns by influencing where and how public funds are invested in the urban environment in order to promote more functional, productive, inclusive and sustainable cities". The CSP also seeks to manage and synchronise the various funding and support programmes and to connect "these to national regulatory reforms in the built environment, and to support enhanced capacity in the metros themselves".

A system of performance indicators can assist the national, provincial and local government intergovernmental process to achieve transformation and deliver on the priorities and objectives of developmental local government. In relation to spatial transformation and urban integration as a key priority of developmental local government, particularly within metros and secondary cities, the National Treasury in its Framework document (2014:11) makes the point that it "is seeking to establish a more comprehensive set of indicators that are of general applicability and that will help the task of bringing about more efficient, inclusive and resilient cities through the concerted efforts of different spheres of government and other stakeholders", these are indicators that are more outcomes-focused and that reward good performance.

The Guidelines for Framing Performance Indicators (2014:11) provides three essential reasons why municipalities require a sophisticated and refined performance management system with suitable performance indicators. These are:

- (1) To provide accountability, which includes “public accountability between government and citizens, or internal accountability between spheres of government, or between department heads and elected politicians, or between senior managers and other officials”. Accountability is a key feature of good governance and therefore “monitoring the detailed allocation and effects of public spending is a crucial feature of transparency in a democratic system”;
- (2) To improve planning and performance, including “the policies, programmes and processes used to provide services, including their quality, quantity and value-for-money”. Formulating appropriate performance indicators can assist in highlighting and bringing out requirements and specific tasks to achieve spatial transformation and sustainable urban restructuring and built environments, including determining desired changes and outcomes and measurements of success. In cases where performance is inadequate or where gaps in implementation are identified, remedial steps can be implemented as part of the performance management process and system to correct the situation; and
- (3) To help determine spending priorities. Implementing “a results-based budgeting approach connects resource allocation to specific, measurable results” and analysing the “evidence of the impact and effectiveness of public investment can provide vital information to influence and amend strategic priorities”. Given that the MFMA and Budget Regulations require “municipalities to consider the future operational costs and revenues of planned projects before approving them”, it is therefore “imperative that budget procedures and decisions should be influenced by the impact of previous spending in order to provide feedback and close the loop”.

(National Treasury Guideline for Framing Performance Indicators, 2014:12).

Craythorne (2006:120, in Ras, 2016:53) makes the point “that there should also be performance measurement of political figures in local government” and “if not, a situation of master and slave may well be at the order of the day where the politicians, under the auspices of political oversight, lambasts senior management irrespective of whether the performance measurement is a comprehensive assessment or not”. In a ‘master-slave’ relationship, which is generally governed by exploitation and authority and where the slave has to bow to their master's wishes under the constant threat of punishment, Ras (2016:53) emphasises that “performance measurement can easily be misused by political masters to mob the administration for performance failures without accepting accountability themselves”.

5.3.3 The Batho Pele White Paper on Transforming Public Service Delivery (1997)

Batho Pele, a Sesotho phrase or adage translated into English to mean ‘People First’, was introduced in the form of a white paper 1997 and is aligned with the Constitution as it provides and lays the foundation for the developmental approaches in the broad public service delivery agenda. Batho Pele consists of eight key principles all aimed at ensuring improved public service delivery to the communities they serve. The Batho Pele principles empower communities by setting service standards, implying that communities now know the services they are entitled to receive and how these will be delivered to them by public servants. Applying the principles of Batho Pele or ‘People First’ provides a commitment by government officials to the broader public that they will be polite, open and transparent and that they will deliver good service to the public.

The maximisation of service delivery through a high level of performance requires the creation of an ethos or culture of service delivery that will enable the public to benefit from each official performing at their utmost. The cultivation of a favourable ethos is dependent on all officials who deal with the public exhibiting a positive attitude.

The main purpose of the White Paper on Transforming Public Service Delivery (WTPSD) (1997:11) is “to provide a policy framework and a practical implementation strategy for the transformation of public service delivery” within the entire public sector (all spheres of government). The WTPSD (1997) chiefly sets out the ‘how’ and not

the ‘what’ in relation to public service delivery. It provides the framework for how public services are delivered, more explicitly about how to improve the efficiency and effectiveness of public service delivery. Transforming public service delivery “is not about what services are to be provided – their volume, level and quality”, but about how the service is delivered.

Batho Pele (1997) was launched with a view to impact on the skills and attitudes of officials who are required to develop ‘a people first’ a culture of “we belong, we care, we serve”. However, Ras (2016:58), makes the point that Batho Pele suggests a holistic approach to excellence in service delivery and that “decisions about what should be delivered will be improved as a result of the Batho Pele approach through systematic consultation with users of services, and by information about whether standards of service are being met in practice”.

The 1997 Batho Pele WPTPSD encompasses the constitutional philosophies and ideologies of developmental local government, as outlined in Section 152 of the Constitution and “advocates that municipalities are the focal point of public service delivery”. The WPTPSD consist of eight principles, mainly aimed at the transformation of public service delivery, public consultation and participation. These principles, according to the WPTPSD (1997:8) include the following:

- Consultation – Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered;
- Service standards – Citizens should be told what level and quality of public services they will receive so that they are aware of what to expect;
- Access – All citizens should have equal access to the services to which they are entitled;
- Courtesy – Citizens should be treated with courtesy and consideration;
- Information – Citizens should be given full, accurate information about the public services they are entitled to receive;
- Openness and transparency – Citizens should be told how national and provincial departments are run, how much they cost and who is in charge;
- Redress – If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and

effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response; and

- Value for money – Public services should be provided economically and efficiently in order to give citizens the best possible value for money.

(WPTPSD, 1997)

According to Uys, et al. (2013), the Batho Pele principles advocate, and commit the broad public sector to: “(i) efficient monitoring; (ii) rating of employees at the point of service to customers; (iii) adoption of key output indicators; (iv) cost efficiency; (v) cost effectiveness; (vi) adoption of standards of service outputs; (vii) annual performance reports; and (viii) public involvement in holding departments accountable”.

The Batho Pele White Paper does not explicitly set out any directives or commands for the existence of a performance management function; however, according to Van der Waldt (2007, in Jesse, 2012:50), the eight Batho Pele principles, as highlighted earlier, may be viewed as objectives for the organisational performance management function and process from which specific performance measures and key indicators may be developed in a public sector organisation.

The WPTPSD (1997:10) reaffirms the constitutional principles and determinations to which the broader public sector should adhere. These include:

- A high standard of professional ethics must be promoted and maintained;
- Services must be provided impartially, fairly, equitably and without bias;
- Resources must be utilised efficiently, economically and effectively;
- Peoples’ needs must be responded to;
- The public must be encouraged to participate in policy-making; and
- Public service must be accountable, transparent and development-oriented.

(WPTPSD, 1997)

The WPTPSD is more focussed on the citizen as the customer of public service delivery. It encourages innovation “to tackle inefficient, outdated and bureaucratic practices, to simplify complex procedures, and to identify new and better ways of delivering services” (Section 5.1 of the WPTPSD, 1997) and rewards excellence in individuals or groups of public service officials who perform well in delivering public services.

5.3.4 The Organised Local Government Act (No. 52 of 1997)

Section 163 of the Constitution provides for ‘organised local government’. It sets out the framework and procedures, subject to Section 76 of the Constitution, for enabling legislation to establish national and provincial representative bodies or organisations for municipalities in the country. The Organised Local Government Act (No. 52 of 1997) (OLGA) is the enabling legislation or Act of Parliament established to regulate the establishment of these representative organisations. The South African Local Government Association (SALGA) is an organisation or body established in terms of Section 163 of the Constitution during 2001 and derives its mandate from the OLGA.

The OLGA (1997) stipulates that “national and provincial representatives for municipalities occupy seats on the Financial and Fiscal Commissions and the National Council of Provinces (NCOP)”. The SALGA fulfils the functions of an oversight, advisory and advocacy institution for municipalities in the country. Although the SALGA has no authority or power over municipalities, it protects and represents the interests of local government by acting as an employer body for municipal members. The SALGA serves as a knowledge- and information-sharing hub for local government and endeavors to build capacity and develop leadership capabilities in municipalities, as well as support and advise their members and work to improve the image of local government. Core to the mandate of the SALGA is the improvement of intergovernmental relations within and across the spheres of government by focusing on six key performance or strategic areas, namely “intergovernmental relations, economic development, municipal infrastructure and services, local economic development, social development and municipal finance”. Reporting by municipalities to the SALGA working groups is quarterly and in such reports municipalities are expected to demonstrate improvement in performance in each one of the six strategic

focus areas. These focus areas are all linked to the development role of local government as envisaged in Section 152 of the Constitution.

5.3.5 The White Paper on Local Government (1998)

The 1998 White Paper on Local Government, which was addressed alongside other key local government issues in Chapter 4 of this dissertation, introduces “integrated development planning, budgeting and performance management in municipalities” as one of the core principles when creating developmental government premised on the fundamental of the Constitution. In paragraph 3.2 of Section B, the White Paper on Local Government (1998:33) makes the point “that these are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It acknowledged that performance management is critical to ensure that plans are being implemented, that they are having the desired development impact, and that resources are being used efficiently”. According to Ras (2016:58), in this regard parliament, by making performance management a peremptory requirement in local government legislation, significantly recognises the relevance, value and importance of performance management as a key instrument to achieve the developmental objectives of local government.

According to Van der Waldt (2007:41), the “White Paper advocates that municipalities should be developmental bodies with developmental objectives; that municipalities require a performance management function, with the involvement of communities. The White Paper states that municipalities must act responsibly in the efficient use of resources and should ensure that the intended users benefit from expended resources”. The White Paper (1998:32) promotes “and provides a mandate for the establishment of a performance management function, as it offers the basic principles for such a function to be instituted, which are: (i) to ensure that plans are implemented; (ii) setting down measures or key performance indicators; (iii) community involvement in the design of key performance indicators; (iv) setting down monitoring indicators; and (v) consideration for the goals and unique circumstances of local municipalities”.

Section H, paragraph 3 of the White Paper on Local Government (1998:98) provides that part of the local government process be to include the development of

organisational or institutional performance instruments and that these must be developed in partnership with local government. These performance instruments, according to the White Paper of Local Government, 1998, must have the following aims: (1) to allow and enable realistic planning in accordance with the SMART principles; (ii) to allow “municipalities to assess the impact of their administrative reorganisation processes and development strategies”; and (iii) to improve or enhance local government performance and accountability.

The 1998 White Paper on Local Government introduces the IDP as a primary and key strategic planning tool or instrument that local municipal councils can use in the implementation and achievement of developmental goals of local government. The IDP aims to embed participatory democracy in municipalities and “to integrate municipal planning and to consolidate departmental plans in the execution of delivering uniform services and products to communities”. According to the Department of Provincial and Local Government (2001:7), the IDP process “is meant to help local role players to plan better and effectively implement plans in the municipal area” and is aimed at assisting municipalities to identify their needs and local government “developmental priorities, set developmental objectives and set local key performance indicators and targets consistent with their budget”.

In the execution of the IDP, the White Paper on Local Government (1998:23) demands the incorporation of criteria for ‘developmental local government’ in four key areas: “(i) social development; (ii) economic growth; (iii) integration, coordination and democratic development; and (iv) leading and learning”. These criteria are simultaneously key performance areas (KPAs) that are applicable in the implementation of the IDP.

Through effective performance management, municipalities are able to monitor the implementation of their integrated development plans and through continuous monitoring municipalities are able to continuously improve their operations, service delivery performance, accountability and oversight. By continuous and persistent assessment of performance against the set IDP targets, municipalities ensure effective and efficient implementation of service delivery to local citizens, which includes ensuring that there is effective participation of citizens in government processes.

The Service Delivery Budget Implementation Plan (SDBIP), discussed earlier, is conceptualised and introduced in the White Paper and MFMA as a tactical and

strategic budgeting and performance instrument with the main focus of allocating and monitoring the application of financial and non-financial resources where these are most needed. The SDBIP is the mechanism currently used and is progressively being integrated into the municipal performance planning, and quarterly and mid-year performance reporting of municipalities as part of the many reforms on the local government front.

According to Van der Walddt (2007, cited by Jesse, 2012:52), in the 1998 White Paper ward committees are mentioned as “partners in resource mobilisation for the development of the municipal area”. Ward committees, while having no powers or resources, are regarded as a representative community-based legal and formal structure of Council, acting as an advisory body through which people from their respective localities and interest groups make their voices heard and hold Council responsible and accountable in their term of Office. It is a participatory form of structure intended to complement the representative form of structure. Ward committees may participate in the ‘performance appraisal’ and annual reporting processes of the municipality as per legal prescription on public participation, with the discretion of the municipal council.

Municipalities have the discretion whether or not to set up ward committees. These are internal structures of a municipality established in terms of Chapter 4 of the Municipal Structures Act (No. 117 of 1998) to enhance public participation and community involvement in municipal decision-making processes. Jesse (2012:52) makes the point that “ward committees may (i) serve as a ‘stakeholder voice’ in that community; (ii) stimulate public involvement in municipal programmes and projects; (iii) be instrumental in the evaluation process of municipal performance on programmes and projects; (iv) the establishment of Ward Committees should go hand in hand with strengthening support to ward councillors and building accountable and effective local political leadership; and (v) monitor the allocation of resources”. Both the Municipal Structures Act and the Municipal Systems Act provide a solid legal authority and governance framework for complementing representative democracy with participatory methods of democracy.

5.3.6 The Local Government: Municipal Structures Act (No. 117 of 1998)

As set out in Chapter 4, the Local Government: Municipal Structures Act (No. 117 of 1998) (the Structures Act) provides for the establishment of municipalities, which includes the categories and types of municipality within each category, as well as the appropriate division of functions and powers between categories of municipalities. The Structures Act determines the obligation of municipalities to achieve the objects set in Section 152 of the Constitution and also regulates “the internal systems, structures and office-bearers of municipalities to provide for appropriate electoral systems”. Therefore, given the linkages to the local government objectives as provided in Section 152 of the Constitution, the decision-making powers of these internal systems and political office bearer structures, bears evidence on municipal performance.

Section 44 regulates the functions of executive committees. In particular, Section 44(3)(a), (b) and (c) of the Structures Act deals with “the powers and functions of the Executive Committee of the council and their responsibility to review and evaluate the needs of the municipality in terms of its priorities” and is therefore also relevant to the performance. In addition, an important function of the Executive committee, in terms of the Structures Act (1998), is to “review the performance of the municipality in order to improve its efficiency, effectiveness and economy”. The role of the executive committee extends beyond to review and recommend priorities and performance to also include that it may recommend improvements and the best methods to deliver products and services in the interest of the community.

Section 44(3)(g) of the Structures Act (1998) has direct relevance on municipal performance management, particularly as it requires that “the Executive Committee deliver a report on the quality and extent of community involvement in the affairs of the municipality”. Therefore, to enable the delivery of such a report the executive committee is tasked, as part of their role in managing the performance function of the municipality, with monitoring and evaluating progress against key performance indicators. In addition, in Schedule 5 of the Structures Act the code of conduct for councillors also has a direct relevance on the performance of councillors and their constituency interests.

Section 56 of the Structures Act provides for the functions and powers of executive mayors. In particular, Sections 56(a)-(e) of the Act provide the basis for oversight by

the executive mayor over performance of the municipality. It provides that the powers and functions of an “executive mayor, in performing the duties of office, must -

- (a) Identify and develop criteria in terms of which progress in the implementation of the strategies, programmes and services referred to in subsection (2)(c) can be evaluated, including key performance indicators which are specific to the municipality and common to local government in general;
- (b) Evaluate progress against the key performance indicators;
- (c) Review the performance of the municipality in order to improve -
 - (i) The economy, efficiency and effectiveness of the municipality;
 - (ii) The efficiency of credit control and revenue and debt collection services; and
 - (iii) The implementation of the municipality's by-laws;
- (d) Monitor the management of the municipality's administration in accordance with the directions of the municipal council;
- (e) Oversee the provision of services to communities in the municipality in a sustainable manner”.

In terms of the Structures Act (1998), “an executive mayor has the right to appoint a mayoral committee, whose function it would be to ensure effective and efficient government”. The executive mayor or mayoral committee has the authority to initiate and institutionalise any functions in the municipality, which includes the function of performance management, and to exercise control over it. In this regard, the legislation is clear in that it provides that any political decision on administrative and managerial systems that would facilitate the measurement and management of municipal performance is strategically placed with the mayoral committee and municipal council, which is the epicentre or highest level of the political system.

5.3.7 The Local Government: Municipal Systems Act (No. 32 of 2000)

The whole of Chapter 6 of the Local Government: Municipal Systems Act (2000:56-60) (the Systems Act) provides a very comprehensive legal basis for the institutionalisation of organisational performance management at municipalities. The Systems Act, read in combination with the Constitution, the White Paper (1998) and the Municipal Finance Management Act (No. 56 of 2003), makes up the key statutes for local government performance, monitoring and reporting. The object of the Systems Act (2000) “is to solidify processes in the delivery of services to the public through implementation of appropriate programmes and policies on matters such as municipal powers and functions, the IDP, public participation, performance management, human resources, debt collection and the codes of conduct for councillors and municipal employees”. The “core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities and to ensure universal access to essential services that are affordable to all” of the Systems Act (2000) were extensively discussed in Chapter 4 of this dissertation. The Systems Act (2000) can be regarded as an extension to the Municipal Structures Act as “it gives very specific attention to municipal performance management.”

The entire Chapter 6 of the Systems Act is devoted to performance management, which indicates a priority and focus on performance management as a key mechanism to improve local government accountability for service delivery. Section 38 of the Systems Act is authoritative and peremptory in that it regulates that “a municipality must establish a performance management system and promote a culture of performance management among its political structures, political office bearers and councillors and in its administration” and that it is commensurate with its resources.

The critical components for an effective performance management function are provided in Section 38(a), (b) and (c) of the Systems Act (2000), more particularly, effective performance management: (i) stipulates and specifies performance priorities; (ii) states and affirms performance objectives; (iii) provides a choice and selection of key performance indicators and service delivery targets; (iv) is geared and links organisational and individual performance management to the outcomes and results of the IDP; (v) institutionalises and promotes an ethos and culture of performance

amongst the administrative and political leaders; and should (vi) “maintain an accountable, efficient, effective and economic performance management system” from which measurable performance objectives and indicators may be derived.

Ras (2016:61) makes the point that the terminology in the Systems Act does not explicitly or particularly refer to organisational performance management; however, it is strongly inferred and suggested, since there is prescription for the existence of an organisational performance function. He notes that “whilst Section 38(b) of the Systems Act does refer to the promotion of a culture of performance management within the administration, performance management referred to in Chapter 6 of the Systems Act implies the management of performance of the municipality as a whole” (Ras, 2016).

In addition, Ras (2016:61b) further explains that Chapter 6 of the Systems Act requires that municipalities incorporate, integrate and report on a set of universal indicators prescribed nationally by the Minister for Co-operative Government and Traditional Affairs. In Section 42, the Systems Act, from a developmental local government perspective, further requires broader community and citizen involvement, as a client, in the setting of indicators and targets and in reviewing municipal performance through the budget, mid-year and annual report processes. However, to enhance administrative and political accountability, it is a requirement, in terms of Section 45 of the Systems Act, for annual performance reports of municipalities to be audited by the auditor-general and for municipalities to publish an annual report on their financial and non-financial performance.

In terms of Section 39 of the Systems Act (2000) the executive of the council, or a committee of councillors (or mayoral committee) is obligated to “manage the development of organisational performance management, assign responsible persons to it and submit such a report on the implementation status to the municipal council for adoption”. Section 40 of the Systems Act (2000) advocates that “a mechanism for monitoring and review” of performance, such as an organisational performance management function, be established. The Systems Act sets a statutory requirement and obligation for municipalities to, on an annual basis, review the IDP. The IDP review process comprises a composite set of processes and procedures that measure results in lieu of achievements and successes. Therefore, from an oversight and

accountability perspective, it is close to impossible to effectively and efficiently manage and coordinate organisational performance and actions for the entire organisation if an exclusive and dedicated function for organisational performance management has not been established. As proposed and recommended by Section 40 of the Systems Act, organisational performance monitoring and evaluation activities can best be attended to by the establishment of a dedicated unit of professionals.

A detailed breakdown of the core and essential elements and components of an effective organisational performance management function is provided in Section 41 of the Systems Act. These key elements and components include: “(i) the design and construction of key performance indicators, drawn from the strategic objectives of the municipality and in line with the objectives of the IDP; (ii) design and construct a performance model which will measure outputs, outcomes and impacts, with measurable targets; and (iii) monitoring and evaluation reports to be issued at least once per annum”. Section 41(e)(ii) of the Systems Act calls for community involvement in the entire organisational performance and accountability framework and arrangements of the municipality.

In line with the principles of participatory democracy and the advancement of community involvement in municipal activities and arrangements, Section 42 of the Systems Act connects with Section 41(e)(ii) in that it “calls for the effective performance of programmes and projects, with public involvement”. The functions and activities of effective organisational performance management demand that broad public involvement and inclusive community participation be an essential and key organisational performance indicator, particularly given that communities in general observe and expect municipalities to be developmental in nature and should function as democratic institutions of government. Given that the IDP is the top strategic and integrative instrument of planned delivery of stated or promised goals, the broad civil society and communities rightfully expect to be involved as a key stakeholder and client in the formulation and goal setting stages of the IDP. It is clear, given the recent rapid increase in service delivery protests, particularly at community level, that there appear to be anomalies and peculiarities between the defined and stated ideals of the Systems Act and the reality found at community level in municipalities.

In Section 43(1)(a), the Systems Act empowers the Minister responsible for the administration of the Act to determine key performance indicators that are relevant and applicable to the programmes of the municipality and that measure local government performance. The Minister is required to consult SALGA and the provincial MECs on these indicators. These key performance indicators should be relevant to the IDP and aligned to government's strategic priorities of each electoral cycle and as outlined in the Medium-Term Strategic Framework (MTSF). Every municipality is required to comply with these predetermined key performance areas and indicators and, as a consequence, the compliance requirements have direct implications on community and public participation processes and on institutional arrangements with regard to performance management and evaluation in municipalities. According to Mathekga and Baccus (2006, cited in Jesse, 2012:56), "there is also the implication that a municipality is compelled to offer leadership, direction and resources and in so doing bring awareness to the public of at least some of the performance objectives of the municipality".

Section 44 of the Systems Act requires the notification and publication of public information and comment on key performance indicators and targets in that "a municipality, in a manner determined by its council, must make known both internally and to the general public the key performance indicators and performance targets set by it for purposes of its performance management system".

In terms of sections 46(2), 47(1) and 47(3) of the Systems Act, the relevant MEC must submit the analysis of municipal annual reports to the provincial legislature, the national Minister responsible for the Systems Act and to the National Council of Provinces (NCOP) for discussion and recommendations. This report is commonly referred to as the Section 47 Report and should include an analysis of the municipal performance for a particular year against stated objectives, a comparison with the previous years' performance and should highlight any under- or outstanding performance matters.

Section 49 of the Systems Act provides a list of the performance management regulations and guidelines issued by the Minister in terms of the empowering provisions of the Act. Municipalities are not permitted and cannot contravene any of the regulatory provisions and prescripts, "without reporting on the circumstances which

caused the deviation". The Systems Act provides a mandatory requirement for the internal audit committee to occasionally review the performance measures and indicators of the municipality.

In terms of Section 55(1)(a)(ii) of the Systems Act, the administration of the municipality, which is headed by the municipal manager, is held accountable to ensure that the municipality operates "in accordance with the municipalities' performance management system". Section 152 of the Constitution, while setting out the objects of local government, provides the guiding framework for each municipality to ensure alignment of strategic objectives with the institutionalised organisational performance management system.

The requirements for the employment contracts of municipal managers and managers directly accountable to the municipal manager are set out in Section 57 of the Systems Act. The Municipal Performance Regulations, issued in terms of the Systems Act, provide that the municipal council is responsible for monitoring the performance of the municipal manager and municipal executive team.

The Municipal Systems Amendment Act (No. 44 of 2003) provides for amendments to the Municipal Systems Act of 2000, particularly as these relate to annual performance reports as set out in Section 46 of the Systems Act. These amendments have been necessitated chiefly as a result of the enactment of the MFMA in 2003.

5.3.8 The Local Government: Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations (MPPMR) (2001) has been issued in terms of the Municipal Systems Act (No. 32 of 2000) and connect directly to chapters 5 and 6 of the Systems Act. The main goals of the MPPMR are to regulate the process that municipalities must follow with the finalisation of the municipality's Integrated Development Plan. Chapter 2 of the MPPMR sets out specific strategic planning requirements for the IDP, whilst Chapter 3 explains the regulations as they relate to performance management and its associated processes. The form and nature of a municipal performance management system, a description of the various roles and responsibilities of all role-players and the associated processes to

be followed in the design, implementation, measurement and reporting on municipal performance, are set out in Regulation 7 of the MPPMR.

Sections 3 to 5 of the MPPMR (2001) set the requirements for the adoption and implementation of an organisational performance management system, which includes the setting of the following prescribed key performance indicators, linked to Section 152 of the Constitution (1996):

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R1 100 per month with access to free basic services;
- The percentage of a municipality's capital budget actually spent on capital projects that have been identified for a particular financial year in terms of the municipality's IDP;
- The number of jobs created through municipalities' local economic development initiatives including capital projects;
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan; and
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan.

As part of the strategic planning and indicator development process integral to the compilation of the IDP, municipalities are obligated to consider and implement the requirements of the MPPMR, particularly in developing inputs, outputs and outcomes. The IDP and municipal performance benefits from the planning regulations. Given potential changes in the internal and external environment, the MPPMR, in sections 11(1), (2) and 13(2), indicates that the key performance indicators of the SDBIP and the IDP have to be reviewed at the mid-term and annually to ensure a flexible and responsive IDP over the full electoral period of Council. In this regard, both the IDP and the performance management and evaluation processes benefit from the MPPMR. According to Steytler and De Visser (2007, in Jesse, 2012:61), the MPPMR

provides that the process and methodology for organisational performance evaluation “identify strengths, weaknesses, opportunities and threats in meeting its KPIs and targets”. A municipality must guard against striving “to meet its KPIs but rather use its KPIs as measuring tools” for organisational performance. Jesse (2012:61) makes the point that, “whilst the Regulations provide details on the requirements for a municipal performance management system, they do not propose exactly how the system should function which means that the best suited for local circumstances approach within the confinements of the law prevails”.

The MPPMR, in Regulation 14(1)(a) and (b)(i), provides that “the functionality of the municipality’s performance management system” must be the responsibility of the internal audit committee and further that a municipality must, “devise a method for auditing performance management as prescribed by the internal auditing process”. Further, in terms of sections 14(1)(c) and 14(2)(a)(b)(c), a performance audit committee must consist of three persons, but the Regulation sets specific obligations and requirements for “at least one person who has expertise in performance management” and to ensure independence and credibility, “the majority of which may not be involved in the municipality as a councillor or an employee”.

The MPPMR, in Regulation 15(2)(iv)(v), supports Section 40 of the Municipal Systems Act (2000) with a requirement for review and enhancement of the organisational performance management system. This is particularly interesting as it gives municipalities the authority “to develop, review and revise the performance management system” and further states that they may “monitor the municipality’s performance in relation to the key performance indicators and performance targets set by the municipality”.

5.3.9 The Local Government: Municipal Performance Regulations (2006)

The 2006 Municipal Performance Regulations ('MPR'), issued in terms of the Structures Act, is aimed at regulating and bringing about uniformity in how the performance of municipal managers and those reporting directly to the municipal manager is managed, directed, monitored and improved. The 2006 MPR covers both the employment contract of a municipal manager, in terms of Section 57 of the Systems Act, and the managers directly accountable to the municipal manager (in terms of Section 56). Section 57 of the Systems Act (2000) provides that "a person to be appointed as the municipal manager of a municipality, and a person to be appointed as a manager directly accountable to the municipal manager, may be appointed to that position" in terms of an employment contract and a separate performance agreement that is concluded annually. The MPR specifies performance agreements and associated performance contracts, job descriptions and tasks, a process to deal with disputes and differences through grievance, as well as objection procedures aimed at resolution inclusive of a mechanism for continuous improvement in performance.

In terms of Section 56 of the Systems Act (2000), "a municipal council, after consultation with the municipal manager, appoints a manager directly accountable to the municipal manager". The Section further provides that, subject to considering candidates from previously disadvantaged backgrounds, such persons "must have the relevant skills and expertise to perform the duties associated with the post" (Systems Act, 2000).

The specific applicability and relevance of the MPR to municipal performance management is found in sections 55 and 56 of the Systems Act, which defines top management's leadership role in performance management and an outcomes and evidence driven performance function and insistence on community involvement in the performance of the municipality as required by sections 45 and 44 of the Systems Act.

The code of conduct for councillors and municipal staff members, particularly senior management, is set out in schedules 1 and 2 of the Systems Act, respectively. Municipal managers and those reporting to them accept the code of conduct upon the signing of a contract of employment with the municipality. Regulation 32 of the Local Government: Municipal Systems Act (Regulations: Municipal performance for

municipal managers and managers directly accountable to municipal managers), provides for and regulates the payment of a performance bonus, but only “after the annual report has been reviewed and adopted by the municipal council and upon the affordability of the municipality to pay a bonus”. It further provides the pre-requisite that municipal managers must accomplish the public announced performance objectives as outlined in the IDP and SDBIP and that these objectives be achieved within time frames and targets. The measurement of the performance of managers reporting directly to the municipal manager will be based on their individual contribution to the strategies, goals and objectives, as set out in the municipality’s IDP and SDBIP. The performance of the municipal manager and senior managers is evaluated and adjudicated by an evaluation panel appointed by Council. Such an evaluation panel consists of the mayor and mayoral committee member of the specific municipality, the performance audit committee (with a requirement that at least one member must be a performance specialist), a ward committee member in the municipality and a municipal manager from another municipality.

Through the institutionalisation of annual performance agreements, the municipal council is provided with the necessary assurance on the performance expectations of the municipal manager and managers directly accountable to the municipal manager. The purpose of the performance agreements, as outlined in the MPRMM and as summarised by Ras (2016:63), is to:

- Comply with the provisions of sections 57(1)(b), (4A), (4B) and (5) of the Act as well as the employment contract entered into between the parties;
- Specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer’s expectations of the employee’s performance and accountabilities in alignment with the IDP, SDBIP and the budget of the municipality;
- Specify accountabilities set out in a performance plan, which forms an annexure to the performance agreement; monitor and measure performance against set targeted outputs;
- Use the performance agreement as the basis for assessing whether the employee has met performance expectations applicable to his/her job; and

- In the event of outstanding performance, reward the employee, and give effect to the employer's commitment to performance excellence.

The MPR (2006) is directly linked and aligned to the requirements of Section 120 of the Municipal Systems Act and, therefore, it is a requirement for the individual performance plans and agreements of the municipal manager and senior managers reporting to the municipal manager to be aligned to the IDP, SDBIPs and budget of the municipality. However, according to Ras (2016:64), this is constrained by the different application and interpretation of terminology and wording, particularly as it relates to defining and understanding key performance areas (KPAs), used in the municipality's IDP and SDBIP with the interpretation set out in Regulation 26 of the MPR and the core or minimum competency requirements referred to in Regulation 28 of the MPR, which makes understanding and alignment extremely difficult.

5.3.10 The Local Government: Municipal Finance Management Act (No. 56 of 2003) (MFMA)

The purpose of the MFMA is to implement and sustain sound financial management practices in municipalities and to set out the principles and procedures for financial planning, budgeting, accounting (financial and managerial), control and reporting by municipalities in the country. The MFMA (2003) establishes an extensive but "strict framework for the financial performance management of municipalities and other institutions in the local sphere of government". The MFMA also sets the standards for performance reporting and provides for the entire accountability framework, from planning to reporting, and provides the financial norms and standards for successful implementation of performance measurement and the management and reporting of performance. It also sets out the procedure for intervention and appropriate action against persons responsible for non-compliance. The MFMA therefore strengthens the core of organisational performance management and sets out the framework to support performance monitoring and evaluation of all municipal financial and non-financial resources.

In relation to performance management in municipalities, it commences with the planning (IDP) and budgeting processes as provided in the MFMA. The annual budget and associated planning processes (SDBIP and IDP Review) are some of the most important performance management tools in municipalities. In Section 17(3), the MFMA sets out the entire process, starting with the requirement of setting measurable and achievable performance objectives in the early stages of the annual budget process that are aligned with Section 152 of the Constitution. The MFMA (2003) complements other legislation that prescribe procedures and requirements for a performance management system as alluded to earlier in this chapter, as it focusses on “reporting on financial issues and performance with guidelines in respect of roles and responsibilities of the mayor, the accounting officer and other senior officials of the municipality”.

The MFMA sets a requirement, as part of the annual budget process, for mayors to submit their annual budgets “to a council meeting 90 days prior to the commencing of the new financial year”. The municipal budget and associated documents are subject to public oversight, scrutiny and commentary before final adoption and submission to stakeholders. In this regard, municipalities must table a draft budget annually, before the end of March, and make this public for comment and considered for final approval before the end of June.

In Section 52 of the MFMA, the mayor is assigned general responsibilities, which include the responsibility to provide political guidance over the fiscal and financial affairs of the municipality. Furthermore, the mayor is empowered to monitor and oversee the legislative responsibilities specifically assigned, in terms of the MFMA, to the municipal manager (as accounting officer and the chief financial officer), but the mayor or council is not allowed to interfere in the administrative exercise of those responsibilities by the municipal manager or the chief financial officer. The statutory responsibilities of the mayor, as outlined in the MFMA and according to Ras (2016:62), include “the authority to monitor and to take all reasonable steps associated with the performance of the municipality”.

In addition to the general roles and responsibilities of the mayor as provided for in Section 52 of the MFMA, the mayor’s responsibilities in relation to the budget process and related matters are provided in Section 53 of the MFMA. This Section provides

the roles and responsibilities of the mayor in providing political guidance to councillors, specifically as this relates to the annual municipal planning processes regarding the budget, setting measurable service delivery objectives in consultation with communities, and concluding annual performance agreements for senior managers that are aligned to the IDP, SDBIP and the budget. In addition, the mayor must also ensure that the goals, objectives and associated measurable performance objectives, as specified in the municipality's IDP and SDBIP, are linked to the budget and are implemented accordingly. The municipal manager, as accounting officer and head of the administration, accounts to the mayor on implementation and integration of the stated objectives in the municipal area. The mayor is also responsible, in terms of Section 53 of the MFMA, for taking necessary steps to guarantee that the annual budget of the municipality is approved within the legislative timeframes, that the SDBIP is approved by the mayor within 28 days of the approval of the budget and that the annual performance contracts of the municipal manager and the senior managers reporting to the municipal manager, as required by Section 57(1)(b) of the Municipal Systems Act, are approved within the legislative timeframes and are aligned to the IDP, the SDBIP and the annual budget.

The fiduciary responsibilities of the municipal manager, as head of the administration and accounting officer, are set out in Section 61 of the MFMA. It requires the accounting officer to, at all times, act and manage the activities of the institution in the 'best interest of the municipality'. In terms of the MFMA and treasury norms and standards, the municipal manager has the responsibility to build the required internal capacity, particularly within the financial accounting department, to ensure adherence to, and compliance with proper financial governance practices. The entire suite of financial management, which includes the management of revenue, expenditure, assets and liabilities is entrusted in the accounting officer of the municipality.

Although the application of financial management standards as these relate to budget and financial management, municipal borrowing and liability management, supply chain management, cash flow, revenue and liquidity management, banking, monthly revenue and expenditure reconciliation and reporting are delegated to the chief financial officer, it is the municipal manager who is ultimately accountable to the mayor to ensure good financial governance in the municipality. The MFMA, in Section 32(2)(a) empowers the municipal manager, as the accounting officer of the

municipality, to report any irregular, fruitless and wasteful expenditure to the mayor, the council, the Auditor-General of South Africa (AGSA) or the Provincial Treasury. In terms of Section 92 of the MFMA, the AGSA is empowered to audit and issue a report on the financial performance and financial management practices of each municipality.

In terms of in-year financial and non-financial performance, the municipal manager, in terms of Section 71 of the MFMA, is obligated to prepare monthly in-year-monitoring budget performance statements and must report on the financial performance to the mayor, Provincial Treasury and National Treasury. Section 52 of the MFMA requires the mayor of the municipality to “within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality”. Section 72 of the MFMA requires the accounting officer (municipal manager) conduct a mid-year budget and performance assessment for the first six months, ending 31 December, and submit such a performance assessment with recommendations for adjustments to the mayor, and national and Provincial Treasury.

In terms of Section 74 of the MFMA, the municipal manager, as accounting officer of a municipality, “must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the auditor-general such information, returns, documents, explanations and motivations as may be prescribed or as may be required”. Such information to be submitted includes matters of noncompliance with the MFMA or non-compliance on financial accounting norms, standards and practices.

The Municipal Annual Report is another mechanism used to report on overall municipal performance, as well as promote accountability to the local community for decisions made by the municipality throughout the year. Section 121 of the MFMA (2003) covers the legislative requirements and the process of “preparation and adoption of annual reports” by municipalities. The annual report includes an assessment of financial performance, the financial position, non-financial performance on the IDP and SDBIP and reports from AGSA (on the audit) and the various committees tasked with oversight and governance, such as the audit and risk committees. The municipal annual report serves as a summary reflection on the performance of the municipality during a particular financial year.

The financial statements must be submitted to the AGSA for audit purposes within two months of the end of the municipal financial year. The AGSA must issue an audit report within three months of receiving the statements from the accounting officer of the municipality. In terms of Section 127(2) of the MFMA, “the mayor of a municipality must, within seven months after the end of a financial year (by 31 January each year), table in the municipal council the annual report of the municipality”.

In accordance with Section 46 of the Municipal Systems Act, it is a requirement that the annual report include a performance report of the municipality. In terms of Section 129 of the MFMA, the municipal council must consider the annual report of the municipality and “by no later than two months from the date on which the annual report was tabled in the council in terms of Section 127, adopt an oversight report containing the council’s comments on the annual report”. In terms of Section 129(3) of the MFMA, “the accounting officer must in accordance with Section 21A of the Municipal Systems Act make public an oversight report ... within seven days of its adoption” by Council. In terms of the MFMA, Section 132(2), both the Annual Report and Oversight Report of the municipality must be submitted to the provincial legislature “within seven days after the municipal council has adopted the relevant oversight report”. Given the requirements for the MEC local government, in terms of Section 132(3) of the MFMA, to monitor the submission of these reports to the legislature by municipalities, it is good practice that these also be sent to the relevant treasury and MEC for local government.

Sections 77 and 78 of the MFMA place a responsibility and duty on senior managers within the municipality to not only assist the accounting officer co-administer and accept responsibility and accountability for the financial administration, but the MFMA also places an obligation on them to act in the interest of the municipality, with diligence and in an effective, efficient and economic manner within the financial and other resources of the municipality. Financial misconduct is covered in Section 171 of the MFMA and includes to mislead or incorrectly report on the performance of a municipality against stated IDP and SDBIP objectives and targets.

The MFMA supports performance auditing as a function of the internal auditing unit of the municipality, which is covered in Section 165 of the MFMA. Further, Section 166(1) of the MFMA sets a requirement that a municipality must have an audit committee as an independent advisory body to “advise the municipal council, the political office-

bearers, the accounting officer and the management staff of the municipality ... (v) on performance management [and] (viii) performance evaluation.”

Given Section 166 of the MFMA, and depending on the interpretation and application of regulations by municipalities, it is crucial for the internal auditing unit to be involved in all areas impacting on the municipality’s performance. This proposed involvement should not be restricted to financial matters, as is the case in many municipalities.

5.3.11 The Local Government: The Municipal Budget and Reporting Regulations (2009)

The Municipal Budget and Reporting Regulations (2009) (MBRRs) for local government were issued by the Minister of Finance in terms of the empowering provisions of the MFMA. The main objective of the MBRRs is to formalise norms and standards for local government aimed at improving the credibility, sustainability, transparency, accuracy and reliability of municipal budgets. To achieve this objective and to translate the budget regulation requirements into practical outcomes, the various budget schedules, supporting tables and associated standard chart of accounts were developed and are included in the MBRRs and as a minimum requirement to be progressively implemented by municipalities. The MBRRs mainly cover the performance and reporting requirements as set out in:

- Sections 71 and 72 of the MFMA, particularly as it relates to improving the quality, standardisation and comparability of the monthly budget statements and mid-year budget and performance assessment;
- Sections 52 to 54 as it relates to the general responsibilities, budget processes and related matters and budgetary control and early identification of financial problems;
- The Municipal Budget and Reporting Regulations of 2008 by supplementing and extending the coverage and applicability; and
- The MFMA Budget Formats Guide of 2012.

The National Treasury in its LGBER (2011:78) makes the point that the main purpose of the MBRRs 2009 “is to regulate the format and content of annual budgets, adjustment budgets and in-year reports to promote greater transparency and facilitate the alignment of policy priorities, plans, budgets and reports”. The MBRRs give deeper practical content and application to the MFMA’s objective and primarily assist in the regulation of budget matters, such as municipal finance policies, annual budgets, adjustments budgeting process and time-provisions in respect of municipal compliance to these regulations. The MBRRs propose to strengthen public financial management and governance in municipalities, particularly on matters of fruitless and wasteful, irregular and unauthorised expenditure. The MBRRs also aim to strengthen and improve transparency in public financial management and internal and external accountability processes. In addition, the MBRRs provide supplementary guidance to improve planning and effective resource allocation and set even higher standards for improved management of public finances. In this way the MBRRs contribute to the effective maintenance of sound financial performance and improved financial governance practices.

5.3.12 The Service Delivery Budget Implementation Plan

The requirements for the Service Delivery Budget Implementation Plan (SDBIP) are covered in Section 1 of the MFMA and further espoused in the National Treasury Circular 13 issued on 31 January 2005. The MFMA (2003), in Section 1, defines a SDBIP as:

“A detailed plan approved by the mayor of a municipality in terms of Section 53(1)(c)(ii) for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate -

- (a) projections for each month of —
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and

- (c) any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of Section 54(1)(c)."

The National Treasury (NT) Circular 13 (2005:2), issued in terms of the MFMA, describes the SDBIP "as a management, implementation and monitoring tool that will assist the mayor, councillors, municipal manager, senior managers and community". NT Circular 13 (2005) emphasises that "a properly formulated SDBIP will ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council". This is a point that was emphasised earlier in this chapter in that detailed, understandable and measurable SDBIPs are fundamental to effective municipal performance measurement and accountability. De Bruijn (2007:19) makes the point that "if the SDBIPs are merely a gaming of the numbers exercise where professionals increase their output on matters of no real significance for the organisation albeit legal, the measurement of SDBIPs hold no strategic value for the organisation". Furthermore, De Bruijn (2007) makes the point that "the increased numbers look good on paper but have limited to no social or productivity value".

NT Circular 13 (2005) outlines the guiding framework and assists municipalities in the preparation and compilation of the SDBIP to ensure alignment and compliance with the requirements of the MFMA. It can be concluded that the annual budget gives funding affect to the municipality's IDP, whilst the SDBIP gives implementation and monitoring effect to the budget of the municipality.

NT Circular 13 (2005) sets out the following five components of a proper SDBIP:

- (1) Monthly projections of revenue to be collected for each source;
- (2) Monthly projections of expenditure (operating and capital) and revenue for each vote;
- (3) Quarterly projections of service delivery targets and performance indicators for each vote;
- (4) Ward information for expenditure and service delivery; and
- (5) Detailed capital works plan broken down by ward over three years.

According to the NT Circular 13 (2005:4), “whilst the SDBIP is largely a one-year detailed plan, it should include a three-year capital plan” and further that “municipalities are encouraged to also include three-year (by quarter) service delivery targets, to the extent that this is possible and feasible”. In this regard, municipalities may also opt to consider and include past and current year performance information as this would help to conduct detailed comparative analysis and to provide a framework for instituting remedial action aimed at addressing past problems.

According to the NT Circular 13 (2005:4), “the budget funds the strategic priorities of the municipality and is not a management or implementation plan” and, therefore, the SDBIP “serves as a tacit agreement between the administration, council and community translating the goals and objectives set by the council as quantifiable outputs that should be implemented by the administration during a particular financial year”. The SDBIP provides the foundation for effective performance measurement of municipal service delivery juxtaposed against the stated quarterly and annual targets through implementation of the budget and application of other municipal resources as the ‘funding resource’ towards the attainment of stated outputs.

Given the importance of the SDBIP as a municipal performance instrument, it can be regarded as an important management tool for the municipality to measure systematic progress and service delivery implementation. As set out earlier in this chapter in Section 5.3.2, the MFMA in Section 53(c)(2) places an obligation on the accounting officer to submit the SDBIP within fourteen (14) days of approval of the budget to the mayor and for the mayor to ensure “that the municipality’s service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget”, and further in Section 53(3)(a) that “the service delivery targets and performance indicators for each quarter, and ... (b) the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed” be made public within 14 days of approval of the SDBIP by the mayor.

The MFMA requires that the annual budget of a municipality be approved by latest 30 May annually, which is within 30 days before the start of the new financial year on 1 July. In this case, the annual SDBIP must be approved by no later than 28 June of every year, which is dependent on the specific date that the budget was approved.

The intention of parliament is that the annual SDBIP is approved prior to the start of the new municipal financial year, which is 1 July. In cases where the budget is not approved within 30 days before the start of the financial year, the provision and requirements as set out in both the MFMA and the MBRRs should be followed until such budget is approved prior to the commencement of the financial year. The SDBIP is then required to be approved within 28 days of the approval of the budget, which could be post commencement of the municipal financial year on 1 July. In the unlikely event of the annual municipal budget not being approved by Council before the start of the financial year, a mandatory intervention by the provincial executive council becomes unavoidable. This will be discussed later in this chapter.

5.3.13 The Intergovernmental Relations Framework Act (No. 13 of 2005) (IGRFA)

According to Jessa (2012:62a), the IGRFA “places the emergence of intergovernmental relations (IGR) between spheres of government and departments on a legitimate and institutional platform and since the promulgation of the IGFRA, government spheres have begun to work in a co-operative manner, implementing the ideals of the IGFRA in order to add value, effectiveness, and cost benefits to government programs such as the IDP”. The intergovernmental relations systems, which are underpinned by the IGFRA, were extensively discussed in Chapter 4 of this dissertation, and the chapter particularly set out the object of the IGFRA as “to address intergovernmental co-ordination and alignment of work required between national, provincial and local planning as well as the need to avoid duplication by departments in the delivery of services”. In addition, the IGFRA affords a structured and organised system for intergovernmental engagement and interaction within and between the three spheres of government, all aimed at ensuring improved outcomes for municipal programmes in pursuit of increased service delivery performance of municipalities.

The various IGR structures that give effect to improved intergovernmental relations were also extensively covered in Chapter 4 (Section 4.8), under the heading ‘Cooperative Government and IGR: Municipal, Provincial and National Government Coordination and Cooperation’, and will therefore not be further deliberated upon at this time.

Jesse (2012:62b), citing the Green Paper on National Strategic Planning (2009:27), highlights that municipal performance objectives, which are aligned to the Section 152 constitutional objectives of local government and those that advance IGR interests, are acceptable for inclusion as part of the performance management process and system. Intergovernmental planning, which is integral to improve intergovernmental collaboration and coordination, is defined by the Green Paper on National Strategic Planning (2009:27) according to the following parameters: “(i) coherence in planning; (ii) coherence in policy making; (iii) national strategic planning should be informed by sector, provincial and local plans; (iv) coordination; and (v) cooperation, mutual trust and good faith between parties”. It further states that the IGRFA is “based on the assumption of good faith and mutual trust between government spheres, to work together almost spontaneously and organically, with commitment to joint planning and budgeting and the promotion of seamless government” (Green Paper on National Strategic Planning, 2009:27).

Baatjies (2009:11-14, cited by Jessa, 2012:62c), stresses the importance of developing an intergovernmental cooperative governance culture amongst all employees of the state and that such a culture will pave the way for the successful implementation of the IGRFA, in order to “assist, support, inform and consult” within each of, and across, the three spheres of government in a collaborative and co-ordinated manner, all aimed at improving municipal organisational performance. In this regard, proper intergovernmental relations are encouraged to improve the effectiveness and efficiency of government programmes, since intergovernmental cooperation and co-ordination embraces all municipal programmes to some degree and, according to Baatjies (2009:11-14, in Jesse, 2012:62-63), municipalities have become “IGR impact zones or a convergence place for national programmes, making the need for performance reporting critical as stakeholder groups are increased”.

5.3.14 The National Development Plan and Medium-Term Strategic Framework (2009-2014 and 2014-2019)

The 2030 National Development Plan (NDP), which was approved and made public in 2012, sets out the long-term vision for the country and defines the desired destination, as well as identifies roles and responsibilities that different sectors of society need to fulfill in achieving the long-term goal and vision.

According to the Alfred Nzo District Municipality (2017:16), the NDP 2030, as a long-term visionary strategic plan for South Africa, aims to achieve four main comprehensive objectives:

Providing overarching goals for what South Africa wants to achieve by 2030;

- (1) Building consensus on the key obstacles to South Africa achieving these goals and what needs to be done to overcome those obstacles;
- (2) Providing a shared long-term strategic framework within which more detailed planning can take place in order to advance the long-term goals set out in the NDP; and
- (3) Creating a basis for making choices about how best to use limited resources.

The apex objective of the NDP (2012) is to give effect to developmental local government and to guarantee that all South Africans accomplish a “decent standard of living through the elimination of poverty and reduction of inequality”. Many of the essential elements or components describing a decent standard of living, as recognised in the NDP, are those that are required to be delivered by local government and which are taken up in the Medium-Term Strategic Framework (MTSF)¹⁷.

The MTSF determines a set of national strategic priorities that should be considered and prioritised within the strategic plans and budgets across all three spheres of government and public sector institutions. The 2014-2019 MTSF has 12 priority

¹⁷ Each MTSF is informed by the formation of ‘a new government’ nationally, following the outcome of the national elections every five years.

outcomes and has been adopted by the fifth political executive and administrators as informed by the 2014 electoral mandate. These priority outcomes are linked to the National Development Plan 2030. The 2019-2014 MTSF is still under development and has not as yet been approved by the national Cabinet. Municipalities are obligated to accept and implement the MTSF strategic priorities and the MTSF should form the cornerstone of the IDP, SDBIP and budget processes. The MTSF priorities in local government require the formulation of accurate performance outcomes per applicable priority area and should include a comprehensive monitoring, evaluation and reporting component for local, provincial and national government.

The MTSF for local government is guided by the developmental local government objectives, as set out in Section 152 of the Constitution and the 1998 White Paper on Local Government, which in turn informed the NDP 2013. The underlying MTSF priorities and performance drivers cut across all three spheres of government and are aimed at improving co-ordination, co-implementation, co-accountability and integration of priority areas across the spheres of government. The organisational performance management system, as informed by the performance of government programmes, must reflect this cooperative government arrangement as it relates to government service delivery and as it is outlined in the 1996 Constitution. Within the local government environment, although the electoral cycles between the national and provincial elections overlap with that of local government, the MTSF priorities must form part of the municipalities' five-year local government strategic agenda and be reflected in the IDP, the SDBIP and the budgets.

These local government objectives in the 2014-2019 MTSF and the NDP 2030 include (i) to speed up economic growth to create 'sustainable livelihoods'; (ii) programmes to build economic and social 'infrastructure'; (iii) rural development and food security; (iv) skills development and strengthening the human resources pool; (v) health improvement; (vi) reduction in crime and corruption; (vii) regional and international co-operation; (viii) sustainable resources management; (ix) delivery of quality services; and (x) to build a developmental state and improve public services and democratic institutions (Medium Term Strategic Framework, 2014-2019). In analysing and unpacking these objectives, it is clear that they are fully aligned to the objectives set more than 20 years ago when the 1998 White Paper on Local Government was conceived and adopted.

The NDP 2030, as it relates to local government, emphasises the need to strengthen the capability and capacity of local government to accomplish its developmental role as outlined in the Constitution and the 1998 Local Government White Paper. It requires an approach to IDPs' development that is much more strategically focused on critical priority areas as outlined in the NDP, particularly those that fit into the essential responsibilities of municipalities, relate to the mandate of local government and are aimed at improving the living conditions of citizens. The DPME (2012) highlights "there are also many areas where municipalities could start implementation immediately by engaging with aspects of the NDP that speak to their core competencies and identifying how they can action proposals for improving implementation".

This calls for an IDP and annual budget process that is strategically managed and led by a senior team of the municipality and not by consultants, and which is aimed at having a more inclusive and meaningful public participation process. Following this approach will facilitate and help to narrow the lacuna between the aspirational goals as contained in the IDP and budget and what can actually or realistically be achieved. Priority areas, such as the delivery of basic services, infrastructure development and spatial planning that would improve community configuration, integration and create economic opportunities for the vulnerable, must be prioritised.

5.4 FINANCIAL GOVERNANCE AND COUNCIL OVERSIGHT

The MFMA and Systems Act are key pieces of local government legislation that set up the local government governance framework¹⁸ within a municipality. The governance framework must clarify, separate and clearly differentiate between the respective roles of the mayor, councillors, municipal employees (particularly senior officials), and the governance system of accountability and oversight. As indicated in Chapter 2, governance is 'the way of doing things'.

Practising and applying sound financial governance within all financial activities and transactions in municipalities is one of the main objects of the MFMA, and includes the development of an all-inclusive system that clarifies, separates and distinguishes between the responsibilities of mayors, councillors and municipal officials. The MFMA

¹⁸ Mainly from a financial management perspective. The legislative, regulatory, policy and governance arrangements from an organisational performance perspective were discussed and provided in Section 5.1.

provides a comprehensive legislative framework to clarify and differentiate between the different roles and responsibilities. The local government governance framework, as set out in the MFMA and its Regulations, is constructed around the separate and distinct roles and responsibilities that enhance accountability and oversight, which is underpinned by advocating the institutionalisation of a system and a culture of transparency and regular reporting in municipalities. The governance system should create no scope or opportunity to confuse or duplicate responsibility and accountability as any ambiguity will fundamentally weaken accountability and oversight mechanisms.

In Section 2, the MFMA (2003) establishes “norms and standards and other requirements for – (a) ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities”. In terms of local government accountability and governance arrangements, the executive mayor or executive committee, as outlined in the MFMA, is responsible for “providing political leadership, proposing policy and overseeing its implementation” in the municipality. The municipal council, as a collective, remains responsible for approving municipal policies and must exercise oversight over the mayor or executive committee.

The administration (municipal manager, senior management and staff) must answer and remain accountable to the municipal council, but through the mayor of the municipality. The municipal managers, senior managers and other officials remain responsible for implementing municipal policy and providing the executive mayor or executive committee with sound, comprehensive and professional advice in the interest of the municipality. In addition, the municipal manager is also required to take on a number of specific decisions in executing the legislative responsibilities, particularly in relation to the MFMA, which include but are not limited to: (1) certifying the correctness of the reports and submission thereof as outline in Section 71 of the MFMA; (2) budget preparation as outlined in Section 68 of the MFMA; and (3) reporting and publishing as outlined in sections 73 and 74 of the MFMA.

The MFMA, together with the Systems and the Structures acts is clear in outlining and differentiating between the respective roles and responsibilities of councillors and officials. In respect of the accountability framework and responsibility for inputs, outputs and outcomes, the municipal council or executive committee exercises oversight and holds the mayor accountable for stated outcomes, whilst the municipal

manager, as the accounting officer for the municipality, remains accountable for the utilisation and application of inputs to achieve specific predetermined outputs. The mayor is therefore responsible for overseeing and managing the municipal manager, mainly to guarantee delivery on the agreed outputs. The council's and mayor's roles are therefore to set policy and ensure positive outcomes, while the municipal manager must implement the policies and perform all the functions to ensure positive outputs. Outcomes can be described as the measurement of the effect of outputs. Outputs are the finished product, such as the number of built houses, whilst inputs refer to the application of any resources towards achieving specific outputs.

In terms of concluding the accountability and oversight loop, and to fulfil the requirements of the Systems Act, the mayor must ensure that the agreed upon outputs are included in the annual performance agreement of the municipal manager and that the outputs are aligned and consistent with the IDP, SDBIP and the budget. The local government governance framework, gleaned from the MFMA and the Structures and Systems acts, sets out specific responsibilities for the municipal council, the mayor, councillors and key municipal officials (particular the municipal manager and chief financial officer). These are outlined in Table 5.2 below.

Table 5.2: The Governance Framework for Local Government

	Responsible for	Oversight over	Accountable to
Municipal Council	Approving policy and budget, monitoring performance of the organisation (outcomes).	Mayor or executive committee	Public / community
Mayor or Executive Committee	Policy, budgets, outcomes, management of/ oversight over municipal manager and performance monitoring.	Municipal manager	Council, executive committee, public / community
Municipal Manager	Outputs (performance) and implementation – institutional conformance and performance. Manage application of inputs.	Administration (as accounting officer)	Mayor, council, executive committee, public / community
Chief Financial Officer	Outputs (mainly financial). Manage application of financial inputs.	Financial management	Municipal manager

Source: Amended from MFMA Circular Nr. 32 (2006:1), issued in terms of MFMA (2003).

The MFMA provides the oversight and lines of authority arrangements for financial management in local government. To enhance accountability and oversight, the MFMA provides and institutionalises a clear separation of roles and responsibilities between the political functionaries, i.e. the mayor (or executive committee) and council and, in relation to the political and administrative interface, between the mayor and the municipal manager and other senior officials, which creates a clear and unambiguous line of authority, responsibility and accountability between the municipal council or executive committee, who is responsible for approving policies of council; the municipal mayor, who is responsible for providing political oversight, guidance and leadership, as well as for implementing council policy; and the municipal manager, who is accountable to the mayor (or executive committee) and council for ensuring that the administration is functional and that council policies and legislation are successfully implemented.

The MFMA recognises the municipal council or executive committee as the highest authority in the municipality. The MFMA strengthens and re-enforces the power of the council by conferring it with significant powers of approval and oversight throughout the legislation. In terms of the power of council to delegate its legislative or original powers, a municipal council may delegate its executive authority to the executive mayor or executive committee, but the council is not allowed to delegate its original legislative powers, inclusive of the power to approve municipal policies and budgets and to exercise oversight and control over the mayor in ensuring the implementation of municipal policies, the budget and municipal by-laws. Council cannot delegate the accountability to residents and other stakeholders and remain accountable as the legitimate representative institution to the residents, broader community and stakeholders which it serves.

In terms of the provisions of the Structures Act and the MFMA, the municipal council can delegate certain powers and duties to the mayoral political structures and senior municipal staff, including the municipal manager and chief financial officer. Where a municipality has an executive committee it may also delegate powers and duties, assigned in terms of the MFMA, to the mayor or to another member of the executive committee. An executive mayor, on the other hand, may also delegate powers and

duties to another member of the municipality's mayoral committee in terms of Section 59 of the Structures Act. To assist municipalities, the Western Cape Provincial Treasury developed a delegation framework and distributed it to all municipalities for consideration and adoption.

Municipal councillors provide the critical political linkage and interface between the mayor or the executive committee and the broader community as part of enhancing accountability to communities. Public and community participation and consultative engagement processes, as required by the MFMA and the Systems Act – specifically with regard to the IDP, the budget and the related budget policies, tariff proposals, indigent policies, long-term borrowing and contracts – can be facilitated by councillors. In terms of the Systems Act and the MFMA, councillors have a key responsibility to review, debate, modify, recommend and approve policies that have been recommended by the mayor or the executive committee and include the by-laws and municipal policies on key objectives and priorities that ultimately have an impact on the ability of council to deliver services.

According to the National Treasury (2014:34) Guide on the Modernising Financial Governance: Implementing the MFMA, both the Systems Act and MFMA expand and clarify the role of municipal councillors, which includes that of monitoring and oversight over the mayor and the activities of the administration using committee and municipal council meetings to execute their functions. Their main function is to ensure through oversight that the administration establishes effective operational and financial policies and procedures to enable the municipality to produce the desired results and outcomes. If councillors wish to be effective in their oversight role, they are required to have a full understanding of their councillor oversight responsibilities.

In order to ensure good governance through oversight as governance champions and assurance providers, councillors must resist the temptation to get involved in implementing policies, procedures and directions that they have established and approved and that are fundamental for the advancement of the broader community. According to the NT Guide (2004:34b), "councillors cannot have an operational role, as this would interfere with the role of the executive (executive mayor or executive committee) and also weaken the accountability of officials to the council". To improve oversight, the municipal policy development and approval role of councillors is clearly

separated from the implementation role played by municipal officials. The NT Guide (2004:34c) summarises the oversight role of municipal councillors as follows:

- Setting the direction for municipal activities;
- Setting policy parameters to guide these activities;
- Setting strategic objectives and priorities stating what outcomes and outputs are to be achieved;
- Monitoring the implementation of policies and priorities by evaluating reports of outputs and outcomes;
- Ensuring that corrective action is taken where outputs deviate from plans; and
- Accounting back to the community for performance in terms of objectives.

(NT Guide, 2004:34c)

Both the Systems Act and MFMA protect the independence of municipal councillors and shield them from getting involved in matters that may create a potential 'conflict of interest'; hence councillors are prohibited, in terms of Section 93F of the Systems Act, from being board members of municipal entities and, in terms of sections 166(5) and 117 of the MFMA, to be members of audit committees or a tender or bid committee member. In keeping with the instilling of sound and transparent financial governance practices, the mayor and councillors collectively may, in terms of Section 52¹⁹ of the MFMA, oversee the supply chain management (SCM) policy but may not get involved in the implementation of the SCM policies in any manner. As indicated earlier, councillors are prohibited by the statute to be members of tender or bid committees or take part in any of the tender (SCM) processes.

In order to improve and strengthen the oversight role of council, the municipal council may, in accordance with the MFMA, create specific municipal council portfolio committees within the council. These committees, sometimes also referred to as Section 79 committees derive their existence and powers or duties from the relevant

¹⁹ Section 52 authorises the mayor of a municipality to monitor and oversee the exercise of responsibilities assigned to the accounting officer in terms of the MFMA, which includes supply chain management.

legislation. They are comprised of councillors and consequently Section 160(8) of the Constitution applies to them.

Although not peremptory, other committees also form part of the political structure of municipalities. A municipal council may, in terms of Section 79 of the Structures Act (1998), appoint committees to “exercise any of its functions or obligations” or, in terms of Section 80 of the Structures Act (1998), to “assist the executive mayor or executive committees in executing their functions”.

The Section 79 committees are responsible for the effective performance of functions of the Council. They are appointed by the executive committee as needed; are usually temporary in nature; do not have any decision-making powers but can make recommendations to Council; and are, in most cases, appointed to investigate a particular issue. Generally, once the Section 79 committee has completed their task, they are disbanded. Outside experts as well as councillors can be included in Section 79 committees.

The Section 80 committees are responsible to assist the executive mayor or executive committee in performing their responsibilities. They are usually permanent committees that specialise in a specific area of work and are sometimes given the right to make decisions over small issues. Section 80 committees, according to the delegation of decision-making framework of Ndlamba Municipality (2018), normally consist of a budget and finance committee, public accounts committee and municipal services committee (to cover water, electricity and refuse removal). Section 80 committees can also advise the executive committees on policy matters and make recommendations to council.

A municipal council has a wide discretion to appoint any or both types of committees. According to Mangaung Metropolitan Municipality’s Delegation of Powers Policy (2018), the municipal council is only constrained when deciding whether the “establishment of a committee is necessary, taking into account (a) the extent of the functions and powers of the municipality; (b) the need for the delegation of those functions and powers in order to ensure efficiency and effectiveness in their performance; and (c) the financial and administrative resources of the municipality available to support the proposed committee”.

These ‘other committees’ are commonly referred to as section 79-committees and section 80-committees. They are ‘committees of the council’ and, in terms of Section 160(8) of the Constitution, members must therefore be composed in “a manner that allows parties and interests reflected within the Council to be fairly represented” or proportionately composed. However, in terms of the judgements of the Court in the cases of *Democratic Alliance and another v Amos Masondo and another* (2001) [WLD] [Case No 01/92600] and *Democratic Alliance and another v Amos Masondo N.O. and the Minister of Provincial and Local Government (CC)* [Case No CCT 29/02], a mayoral committee was found to not be a committee of a municipal council. The Council may therefore not appoint the mayoral committee to perform such investigation, e.g. establish a committee to investigate any suspected or reported cases of unauthorised, irregular or fruitless and wasteful expenditure. Such a committee can only be appointed by Council.

The Structures Act (No. 117 of 1998) also regulates the following aspects of committees: composition; term of office, powers and functions; election of a chairperson; and procedures. In addition, the Systems Act provides for the establishment of two ‘other’ statutory committees: (i) an appeal committee in terms of Section 62 of the Systems Act; and (ii) a disciplinary committee established in terms of the Code of Conduct for Councillors.

In terms of the MFMA, the municipal council, in order to fulfil its oversight and accountability functions, is empowered to make a number of financial management decisions on financial management tasks, which include budgetary related responsibilities, community participation, performance management, oversight reports (audit, annual and mid-year) and dealing with misconduct. These are set out in sections 24-29, 32, as well as in 33, 45-48, 87-88, 121-134 and 171 of the MFMA.

The MFMA also sets specific accountability and oversight responsibilities for councils in relation to the annual and oversight reports. These were extensively discussed earlier under Section 5.3 and therefore do not warrant further analysis. However, in addition to what was discussed in Section 5.3, a Municipal Public Accounts Committee (MPAC) should be established by Council to deal with the annual report of a

municipality. In this regard, the National Treasury has issued a MPAC Guideline²⁰ and various MFMA circulars to guide municipalities on the role and functions of MPACs.

In terms of the MFMA, the provincial legislature has an oversight role in respect of:

- Municipal quarterly financial performance in respect of municipalities' budgets;
- Any delay by the auditor-general to complete an audit in respect of municipal annual financial statements within the prescribed timeframe;
- Non-compliance of municipalities not submitting annual financial statements to the auditor-general as received by a report by the auditor-general;
- Non-compliance by municipalities to address issues raised by the auditor-general within the prescribed timeframe; and
- Annual reports together with oversight reports of municipalities and municipal entities.

Council and the administration should put controls and measures in place to deal with corruption in the public sector. A variety of statutes, circulars and policy papers have been compiled to curtail and stop corruption in the municipal environment. The Systems Act, in Section 106 empowers the MEC for local government "who has reason to believe that a municipality in the province cannot or does not fulfil a statutory obligation binding on that municipality or that maladministration, fraud, corruption or any other serious malpractice has occurred or is occurring in a municipality in the province, the MEC must ... request the municipal council or municipal manager to provide the MEC with information" in relation thereto and may, if deemed appropriate and necessary, the MEC may "designate a person to investigate the matter". The MEC is also permitted to utilise a commission to conduct an investigation. Needless to say

²⁰ The main aim and purpose of the MPAC Guideline is "to assist municipalities in establishing Municipal Public Accounts Committees (MPAC) in terms of the provisions of the Local Government Municipal Structures Act (No. 117 of 1998 and the Municipal Finance Management Act (No. 56 of 2003) to serve as an oversight committee to exercise oversight over the executive obligations of council. The MPACs will assist council to hold the executive and municipal entities to account, and to ensure the efficient and effective use of municipal resources. By so doing, the MPAC would help to increase council and public awareness of the financial and performance issues of the municipality and its entities".

the MEC may in terms of his/her oversight responsibilities institute criminal action against perpetrators.

The Systems Act also provides, in a number of sections as well in the schedules to the Act, a number of ‘codes of conduct’. The sections and schedules include key legislative provisions relating to dealing with corruption and related corrupt activities:

- Section 54 of the Systems Act and Schedule 1 provides the Code of Conduct for councillors;
- Section 69 of the Systems Act and Schedule 2 provides the Code of Conduct for municipal staff members; and
- Section 70 of the Systems Act requires and regulates that the Code of Conduct be provided to staff members and communicated to the local community.

In relation to instituting controls and addressing corruption within municipalities, the MFMA, in Section 32 covers unauthorised, irregular or fruitless and wasteful expenditure and places an obligation on the accounting officer to “report to the South African Police Service (SAPS) all cases of alleged (a) irregular expenditure that constitutes a criminal offence; and (b) theft and fraud that occurred in the municipality” Section 32 also places an equivalent obligation on council to report such matters to SAPS if “the charge is against the accounting officer; or the accounting officer fails to comply” with the reporting obligation as set out in Section 32 of the MFMA. Section 67 of the MFMA, covering “funds transferred to bodies and organisations outside of government”, places an obligation on the accounting officer to implement “effective, efficient and transparent financial management and internal control systems to guard against fraud, theft and financial mismanagement”

The MFMA, in Section 112, deals with “supply chain management policy to comply with prescribed framework” and requires in subsection (1) that the municipality’s “supply chain management policy ... must be fair, equitable, transparent, competitive and cost-effective” and, according to the anti-corruption policy of Beaufort-West Municipality (2019) citing Section 112 of the MFMA, should include the following:

- Compulsory disclosure of any conflicts of interest prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids;
- The barring of persons from participating in tendering or other bidding processes, including persons who were convicted for fraud or corruption during the past five years;
- Measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management and for promoting ethics of officials and other role players involved in municipal supply chain management; and
- The invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by councillors or officials, which contradict the codes of good practice.

Further, in relation to combatting corruption within the SCM processes, Section 115(1)(b) of the MFMA places an obligation on the accounting officer to “take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices”.

The Prevention and Combating of Corrupt Activities Act (No. 12 of 2004) (PACCA), the Protected Disclosures Act (No. 26 of 2000) (PDA), and the Electronic Communications and Transactions Act (No. 25 of 2002) (Electronic Communications Act) are some key pieces of legislation in the country that are relevant to the objective of minimising and preventing fraudulent and corrupt activities within the public sector, enhancing public financial management practices and improving the effectiveness of council and administrative oversight.

5.4.1 External Oversight of Local Government

Some national departments have sphere-wide authority and are playing the leading role in formulating policy and legislation that impacts directly on local government and its performance. According to DCoGTA (2018), regulatory responsibility can be divided into two clear and distinct categories or types, namely sphere-wide authority, horizontally across the national departments; and specialised authority over a particular policy sector. In this regard, the National Treasury and the Department of Co-operative Governance and Traditional Affairs (DCoGTA) are the two departments that are primarily responsible for regulating provincial and local governments (as spheres) in relation to IGR and IGFR, as opposed to regulating the specific functions performed by local and provincial government spheres. No other national department has such an extensive legislative and political mandate to act on the entire intergovernmental system as a whole and therefore these two departments have sphere-wide regulatory jurisdiction.

5.4.2 The Department of Cooperative Governance and Traditional Affairs (DCoGTA)

The role of the Department of Cooperative Governance and Traditional Affairs (DCoGTA) vests sphere-wide authority in respect to provincial and local government. It has a primary role in the promotion of developmental local government, and the support and protection thereof. It provides for both ‘hands-on’ technical support to municipalities in areas such as skills development, planning and implementation of policy, as well as implements the regulatory environment. It plays a key role in developing and reviewing policy and legislation, such as for traditional leadership, governance of municipalities, disaster management and for effective utilisation of the municipal infrastructure grant (MIG).

The DCoGTA, with the support of its provincial counterparts, must effectively administer its legislation for local government, which amongst others includes the Local Government Municipal Systems Act and the Local Government Structures Act, both of which have a direct impact on influencing municipal policies.

In terms of Chapter 7, Section 151(3) of the Constitution, while local government has the “right to govern on its own initiative”, this must be “subject to national and provincial

legislation". The provincial MEC of local government and the Department are responsible for effective "co-ordination, monitoring and support of municipalities in each province", in line with the constitutional obligation of support to local government provided for in Section 154 of the Constitution.

The department responsible for local government matters is thus tasked with the responsibility to oversee and monitor effective legislative and policy implementation, and support municipalities in the fulfilment of their executive obligations. In so doing, the department aims to create sustainable, viable municipalities and develop policy and programmes that enable optimal functionality of municipalities.

5.4.3 The National and Provincial Treasuries

The 1996 Constitution of the Republic provides an entire chapter, namely Chapter 13, to deal with financial matters. Section 216 of the Constitution provides that "national legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government". Both the National Treasury and provincial treasuries are established by the Public Finance Management Act (No. 1 of 1999) (PFMA). The National Treasury, with the assistance of provincial treasuries, supports efficient and sustainable public finance management across government and helps to "ensure transparency, accountability and sound financial controls in the management of public finances". Having a strong treasury (national and provincial) that can enforce good financial governance norms and standards and simultaneously promote and enable good service delivery practices, remains fundamental to the promotion and advancement of economic development, social progress and facilitates the attainment of developmental goals and objectives, particularly focusing on enabling the aim of improving the general standard of living of all South Africans.

The PFMA regulates financial management matters in the provincial and national spheres of government, whilst the MFMA regulates financial management matters in the local government sphere. Both the PFMA and MFMA provide a legislative mandate for the national and provincial treasuries as it relates to each of the government spheres. Both pieces of legislation pronounce that on a national level the national

Minister of Finance is the head of the treasury and, at provincial level, the head of the treasury is the MEC for Finance in a province. In terms of Section 6 of the PFMA, the National Treasury is mandated by statute “to promote the national government’s fiscal policy framework; to coordinate macroeconomic policy and intergovernmental financial relations; to manage the budget preparation process; to facilitate the implementation of the annual Division of Revenue Act, which provides for an equitable distribution of nationally raised revenue between national, provincial and local government; and to monitor the implementation of provincial budgets”. Moreover, the National Treasury plays a critical role in policy development and legislative drafting pertaining to the local government sphere.

The MFMA (2003) empowers the National Treasury to perform its constitutional duties, i.e. to monitor the budgets of municipalities; “monitor the implementation of municipal budgets [and] monitor and assess compliance by municipalities” with the MFMA and applicable standards of accounting practices; assist with financial management and internal controls; and take punitive and remedial action where municipalities breach the MFMA.

As the custodian of the Municipal Fiscal Powers and Functions Act, the Municipal Finance Management Act and Division of Revenue Act, the National Treasury, together with provincial treasuries, has a significant policy and legislative role in the local government sphere, particularly in relation to its role of monitoring, oversight and reporting on municipal performance. Furthermore, some legislation, such as the Local Government Municipal Property Rates and Municipal Systems Act, requires concurrence of the Minister of Finance, which also necessitates the role of the National Treasury in policy developing and legislative drafting.

In terms of Section 5(7) of the MFMA, “the MEC for finance in a province, as the head of the Provincial Treasury, takes all decisions of the Provincial Treasury in terms of the [MFMA]”, “except those decisions taken as a result of a delegation”. In terms of Section 5(3) of the MFMA (2003), the MEC, together with the Provincial Treasury must, “in accordance with a prescribed framework:

- Fulfil its responsibilities, as stipulated and required by the MFMA;
- Promote the object, aims and the spirit of the MFMA within the framework of co-operative government set out in the Constitution; and

- Assist the National Treasury in enforcing compliance with the measures established in terms of the Constitution and the MFMA.

In order to comply with these provisions, the Provincial Treasury, in terms of Section 5(4) of the MFMA (2003), must monitor:

- (i) Compliance with the MFMA by municipalities and municipal entities in the province;
- (ii) The preparation by municipalities in the province of their budgets;
- (iii) The monthly outcome of those budgets; and
- (iv) The submission of reports by municipalities in the province as required in terms of the MFMA;

In addition, in terms of the MFMA (2003), the Provincial Treasury:

- (a) May assist municipalities in the province in the preparation of their budgets;
- (b) May exercise any powers and must perform any duties delegated to it by the National Treasury in terms of the MFMA; and
- (c) May take appropriate steps if a municipality or municipal entity in the province commits a breach of the MFMA.

5.4.4 Other Stakeholders

Historically, and possibly for logistical reasons, the voice of local government has been fairly absent and in many cases non-existent in the development of national and provincial policies, even in areas where these policies directly and indirectly affect and impact the local government sphere of government. The 1998 White Paper on Local Government assigns a key role to the South African Local Government Association (SALGA) for “the effective representation of local government in the legislative process of all spheres of government, and in intergovernmental executive processes”.

Organised local government fulfils a significant role in officially representing local government in consultations with national and provincial governments. The provincial

organisation, established in terms of the Organised Local Government Act (No. 52 of 1997) consists of members of the municipal councils in the province. The SALGA, established in terms of the Act, has a meaningful role to play in influencing national views, sentiments and policy on local government matters.

Furthermore, the main role of SALGA, as set out in the Organised Local Government Act (No. 52 of 1997), is to represent local government interests in various forums, such as the National Council of Provinces (NCOP)²¹ (having ten seats in observer status), in the Financial and Fiscal Commission (FFC)²², in budget forums, in MINMECs, as well as in drafting of legislation that affects the status, institutions, powers and functions of municipalities.

SALGA also has the opportunity to play an interface role between municipalities and national government in policy making. Through its representation of municipalities, SALGA conducts stakeholder engagement and lobbies on behalf of local government in relation to national policies and legislation. It should be noted that before amending or further regulating legislation that directly impacts on local government, consultation with SALGA is required.

5.5 INTERVENTION MECHANISMS DUE TO LACK OF MUNICIPAL PERFORMANCE

5.5.1 Intervention and Supervision in terms of Legislative Provisions in the Constitution

Section 139 of the Constitution deals with provincial supervision and intervention in local government, whilst sections 136 to 139 in the MFMA deal with interventions, particularly from a financial perspective. Section 139 of the Constitution permits and requires provincial governments to supervise the affairs of local governments and to intervene when things go wrong. Intervention by one sphere of government in the

²¹ Section 3(2)(a) Organised Local Government Act (No. 52 of 1997): The “national organisation must designate not more than 10 persons” as representatives “to participate in the proceedings” of the National Council of Provinces.

²² See Section 5(l)(c) of the Financial and Fiscal Commission Act (No. 99 of 1997).

affairs of another is in itself an extraordinary measure provided by the Constitution to ensure constitutional and legal compliance by the defaulting government.

Section 139(1) of the Constitution systematically sets out the steps and procedures to be followed “when a municipality cannot or does not fulfil an executive obligation” in terms of the Constitution or legislation, in that “the relevant provincial executive may intervene by taking any appropriate steps to ensure fulfilment of that obligation”. The term ‘appropriate steps’ has not been defined in the Constitution (1996), but Section 139(1) highlights the following steps to be included as appropriate before any provincial intervention in a municipality:

- (a) Issuing a directive to the Municipal Council, describing the extent of the failure to fulfil its obligations and stating any steps required to meet its obligations;
- (b) Assuming responsibility for the relevant obligation in that municipality to the extent necessary to-
 - (i) maintain essential national standards or meet established minimum standards for the rendering of a service;
 - (ii) prevent that Municipal Council from taking unreasonable action that is prejudicial to the interests of another municipality or to the province as a whole; or
 - (iii) maintain economic unity; or
- (c) Dissolving the Municipal Council and appointing an administrator until a newly elected Municipal Council has been declared elected, if exceptional circumstances warrant such a step.

Sections 139(2) and (3) of the Constitution deal with procedural issues in the event of a provincial executive intervention in terms of sections 139(1)(b) and (c).

Section 139(4) of the Constitution (1996) sets out the steps and procedures “if a municipality cannot or does not fulfil an obligation in terms of the Constitution or legislation to approve a budget or any revenue-raising measures” (by 30 June of each year) “necessary to give effect to the budget, the relevant provincial executive must

intervene by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved, including dissolving the Municipal Council and -

- (a) appointing an administrator until a newly elected Municipal Council has been declared elected; and
- (b) approving a temporary budget or revenue-raising measures to provide for the continued functioning of the municipality”.

In *The Premier of the Western Cape v Overberg District Municipality*²³, the Supreme Court of Appeal interpreted this provision as obliging an intervention, but stated that dissolution “is the most drastic step the provincial executive can take, while the two steps referred to in (a) and (b) are concomitant to the most drastic step”. An ‘appropriate step’ could, for example, include a direction to approve the budget at some later date. At par [31] of the judgement the court concludes that “[t]he fact that in terms of s 27(2) the MEC cannot extend the deadline imposed by s 16(1) does not mean that the provincial executive cannot do so under s 139(4) of the Constitution. In short, s 27(2) imposes a limitation on the powers of the MEC, which has nothing to do with the powers of the provincial executive under s 139(4) of the Constitution and s 26(1) of the MFMA”.

Section 139(5) of the Constitution (1996) sets out the steps and procedures “if a municipality, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services or to meet its financial commitments, or admits that it is unable to meet its obligations or financial commitments, the relevant provincial executive must —

- (a) impose a recovery plan aimed at securing the municipality’s ability to meet its obligations to provide basic services or financial commitments, which —
 - (i) is to be prepared in accordance with national legislation; and binds the municipality in the exercise of its legislative and executive

²³ (801/2010) [2011] ZASCA 23 (18 March 2011).

authority, but only to the extent necessary to solve the crisis in its financial affairs; and

- (b) dissolve the Municipal Council, if the municipality cannot or does not approve legislative measures, including a budget or any revenue-raising measures, necessary to give effect to the recovery plan, and —
 - (i) appoint an administrator until a newly elected Municipal Council has been declared elected; and
 - (ii) approve a temporary budget or revenue-raising measures or any other measures giving effect to the recovery plan to provide for the continued functioning of the municipality; or
- (c) if the Municipal Council is not dissolved in terms of paragraph (b), assume responsibility for the implementation of the recovery plan to the extent that the municipality cannot or does not otherwise implement the recovery plan”.

Section 139(6) of the Constitution deals with the procedural issues to give effect to the requirements of Section 139(5) of the Constitution. Section 139(7) of the Constitution provides for the event “if a provincial executive cannot or does not or does not adequately exercise the powers or perform the functions referred to in subsection (4) or (5), the national executive must intervene in terms of subsection (4) or (5) instead of the relevant provincial executive”.

Sections 139(8) of the Constitution provides the empowering provision for national legislation that may regulate the implementation of Section 139 of the Constitution, including the processes established by this section. In this regard, the MFMA is such enabling legislation and provides the processes in Chapter 13, part 2 (sections 136 to 150) of the Constitution for intervention in local government as set out in Section 139 of the Constitution.

5.5.2 Interventions in terms of Legislative Provisions in the MFMA

Section 136 of the MFMA provides for provincial intervention in local government, which can be either a discretionary provincial intervention or a mandatory provincial intervention. A discretionary provincial intervention is provided for in Section 137 of the MFMA and provides that if the conditions “in terms of Section 139(1) of the Constitution are met and the provincial executive decides in terms of Section 136(2) of the MFMA to intervene in the municipality, the provincial executive may take any appropriate steps referred to in Section 139(1) of the Constitution”. These steps are set out in Section 137(1)(a)-(d) of the MFMA. The criteria for determining a serious financial problem is provided in Section 138 of the MFMA, namely “when determining for the purposes of Section 137 the seriousness of a financial problem, all relevant facts must be considered”. Section 138(1)(a)-(h) of the MFMA sets out the factors, singly or in combination, which “may indicate a serious financial problem”.

A mandatory provincial intervention is provided for in Section 139 of the MFMA, inclusive of how a provincial intervention is to be affected in terms of Section 139(5) of the Constitution. In particular, sections 139 to 143 of the MFMA set out how the recovery plan is to be prepared and approved before it is imposed by the provincial executive in terms of Section 139(5)(a) of the Constitution and implemented in terms of sections 139(5)(b) or 139(5)(c) of the Constitution, read with Section 146 of the MFMA. The remaining part of Section 139 of the Constitution deals with procedural matters, particularly as these relate to the provincial executive (as a collective), that of the MEC of Finance and MEC responsible for local government.

The criteria for determining serious or persistent material breach of financial commitments in terms of Section 139, are set out in Section 140 of the MFMA. Section 141 of the MFMA deals with the preparation of a financial recovery plan, whilst Section 142 of the MFMA sets out criteria that must be met when preparing the recovery plan. The approval, amendment and implementation, whether triggered by a discretionary or mandatory intervention, reporting and reviewing on such recovery plans are set out in sections 143 to 147 of the MFMA.

Sections 148 and 149 of the MFMA respectively deal with “the termination of provincial interventions and access to information, records and documents of municipalities”. Section 150 of the MFMA provides steps and procedures for national intervention in

the event that the “conditions for a provincial intervention in a municipality in terms of Section 139(4) or (5) of the Constitution are met and the provincial executive cannot or does not or does not adequately exercise the powers or perform the functions” as outlined in sections 139(4) and (5) of the Constitution.

5.6 SUMMARY AND CONCLUSION

This chapter connects and is complementary to Chapter 4, which provided an analysis on the history of local government but focussed specifically on unpacking the numerous, yet complex legislative, regulatory and policy arrangements applicable to the local government functional system and intergovernmental relations framework of South Africa.

This chapter further unpacked the legislative, regulatory and policy framework, with a specific focus on municipal organisational performance and governance in South African local government, which forms the theoretical basis of this dissertation. In addition, from a governance perspective this chapter analysed, on a high level, the legislative and policy framework as it relates to mainly financial governance and oversight arrangements of municipal councils, the main internal and external assurance providers and oversight institutions’ other key stakeholders and partners. Of importance, this chapter deliberated on the legislative and regulatory requirements for municipal intervention and supervision mechanisms available to the provincial and national executive in the event of performance failures in municipalities, as provided in the Constitution and the MFMA.

The legislative, governance and accountability arrangements for municipalities, as these relate to performance, are comprehensively defined and unpacked in this chapter, starting with the Constitution, which sets out the developmental objectives of local government and which creates the framework for many pieces of enabling legislation enacted to regulate municipal performance, monitoring and reporting. The main pieces of legislation and policy include the Systems and Structures acts, the MFMA, the 1998 White Paper on Local Government and the Planning, Performance and Reporting Regulations issued over the last 20 years or so. Although most of the legislative provisions governing performance do not explicitly refer to ‘organisational’

per se, they provide for the existence of an organisational performance function and call for the creation and promotion of a culture of organisational performance management. This call primarily comes from the Systems Act and the MFMA, which provides for the IDP, the SDBIP, the budget and the mid-year and annual reports as key documents for institutionalising a performance management culture in municipalities. These are supported by the requirement for comprehensive performance agreements for senior municipal staff and linked to performance objectives set out in the IDP and SDBIP. Annexure 6 aims to provide a consolidated view on the relevant local government legislation and policy prescripts as it relates to municipal performance.

Performance management and monitoring requires a strong sense of accountability, which this chapter also touched on. The political and administrative governance and oversight frameworks that promotes municipal performance and accountability are also covered in the chapter. In addition, the chapter included an analysis and explanation of inter-relationships between the council, mayor, municipal councillors, administration and community. The chapter acknowledges the existence of other external oversight institutions and their respective important roles and responsibilities to enhance oversight, municipal performance and service delivery, most notably, the provincial legislature and its portfolio committees, the national and provincial treasuries, the DCoGTA and the AGSA.

In the event of performance failure or the inability of a municipality to fulfil its executive obligations as set out in the Constitution, this chapter explains the legislative requirements, mainly from the Constitution and the MFMA, and recognises the important role of both the provincial and national executive to oversee and intervene, and ultimately to normalise matters and ensure that the municipality is able to fulfil and execute its service delivery obligations.

In conclusion, it is gleaned from this chapter that from a legislative and policy perspective there are sufficient and clear directives and guidelines in place for the effective implementation of performance management, oversight and accountability arrangements in municipalities, all of which are geared towards improving service delivery in municipalities. Given the current municipal environment, which is fraught with continuous municipal governance failures and where many municipalities fail to

deliver public services to communities and give effect to the objects of local government as espoused in Section 152 of the Constitution, it calls for those tasked with service delivery and oversight responsibilities to demonstrate leadership and seriousness and use the empowering legislative provisions to turn things around and make a lasting positive impact and difference in communities.

CHAPTER 6: A PROPOSED MODEL FOR LOCAL GOVERNMENT GOVERNANCE AND PERFORMANCE

6.1 INTRODUCTION

The main aim of this chapter is to develop and propose a municipal good governance and performance model that can be used to identify and determine the key elements and variables for ensuring positive performance of local government. In Section 6.5, the chapter includes a structured testing and validation process utilising a focus group, as well as structured and semi-structured interviews with key role players and specialists in the field of municipal governance and performance. Understanding the causes and factors impacting on municipal performance is imperative, particularly in the current socio-economic context as this enables the identification of factors that should be considered and prioritised in order to ensure the sustainable performance of local government.

The proposed governance and performance model is primarily based on the identification and, secondly, application of good governance principles across the dimensions of governance in the public sector. The proposed model is informed by the detailed literature review in chapters 2 and 3, utilising the myriad of legislative and policy requirements set out in chapters 4 and 5 of the dissertation. This chapter will reflect, expand on and describe a set of key indicators for good governance in the public sector (mainly gleaned from Chapter 2) and organisational performance (primarily gleaned from Chapter 3), taking into account the constitutional, legislative and policy requirements in the local government sphere relevant to the subject, i.e. governance and organisational performance, and as set out in chapters 4 and 5.

The aim of the municipal good governance and performance model is to identify key performance areas for measuring performance in local government and then to identify good governance factors that have an impact on the performance of local government. The model proposed in this dissertation is not an exhaustive one and can be further extended by adding other variables, depending on each unique situation at a municipality. Notwithstanding, it provides a good basis that could have universal application in the local government arena in South Africa as it highlights the minimum

required good governance arrangements that must be in place for each dimension of good governance, aimed at ensuring effective performance of a municipality. There are a number of studies and researched articles that have investigated factors that have a supposed critical role in the success of local government, but none that the researcher could locate provide a logical connection between the good governance dimensions and organisational performance in local government.

The proposed municipal good governance and performance model, as set out in Section 6.3, consists of the following four key elements that serve as building blocks:

- *Constitutional obligations*, as the key measurement for local government performance, inclusive of other legislative and policy requirements measuring municipal performance;
- The *legislative and structural arrangements* of local government (municipality) to understand what 'a municipality' is and the environment within which it operates;
- The *dimensions of good governance*, based on the literature review and grounded theory as set out in chapters 2 and 3, with each broken down into constituent parts, underpinned by legislative and policy requirements; and
- *External and internal environment* impacting on good governance and the performance of local government, inclusive of the oversight responsibilities of internal and external stakeholders.

Section 6.3 sets out the details of each key element of the municipal good governance and performance model, while Section 6.4 includes an outline, main concepts, construction and unpacking. The model validation process and the case study analysis and findings are discussed in section 6.5 and 6.6.

6.2 THEORETICAL MODELS AND FRAMEWORKS: DEFINITION AND APPLICATION IN RESEARCH

According to USC Libraries (2018), “theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions”. Further, “[t]he theoretical framework is the structure that can hold or support a theory of a research study and introduces and describes the theory that explains why the research problem ... exists”.

There is common agreement amongst many authors that it is very difficult to form a universally accepted definition of a ‘model’. This is demonstrated by Frigg and Hartmann (2012:13) who attempt to respond to the question: ‘what are models?’ referring to it as “a variety of things that are commonly referred to as models: physical objects, fictional objects, set-theoretic structures, descriptions, equations, or combinations of some of these”. According to Mouton (2001:196), “the term ‘model’ can be considered as one of the vague terms in the social sciences and points to the similarities between the terms ‘model’ and ‘theory’”, which, at times, are interchangeably used by many researchers.

Falletta (2005, cited by Scheepers, 2015:166) makes the point that a theoretical “model provides a systematic way to collect data on the organization and to understand and categorize the data” and further that “an explicit model greatly aids the diagnostic process, given the complexity of organizations and the massive amount of information available for analysis”. De Koning and Cloete (in van der Rhee, 2005:24), describe “a model as a representation of a more complex reality that has been oversimplified in order to describe and explain the relationships among variables, and even sometimes to prescribe how something should happen”.

Falletta (2005:4) “lists four reasons advanced by Burke (in Howard & Associates, 1994) as to why models are valuable”. Scheepers (2015:166) lists these four reasons as follows:

1. “They help to enhance understanding of organisational behaviour.
2. They help to categorise data about an organisation.
3. They help to interpret data about an organisation.
4. They help to provide a common, shorthand language”.

According to Mouton (2001:195), a “model is one of three types of conceptual frameworks, namely typologies, models and theories”. He describes the three frameworks as follows:

- *Typologies* have “a classifying or categorising function and [are] based on single variables”;
- *Models* provide “a systematic depiction of phenomena by identifying patterns and regularities amongst variables”; and
- *Theories* provide “an explanation of phenomena by suggesting an underlying causal mechanism”.

According to Clarke (2005:9, citing Creswell, 2003), there are broadly “two major types of research models or research paradigms” and they can be in either physical science or social science. These research models or research paradigms can be:

- “Quantitative – also known as traditional, positivist, experimental or empiricist, as advanced by authorities such as Comte, Mill, Durkheim, Newton, Locke; and
- Qualitative – constructivist, naturalistic, interpretive, post positivist or postmodern perspective, as advanced by Ditley, Kant, Wittgenstein (latter), Foucault, Miles and Huberman”.

(Clarke, 2005:9, in Creswell, 2003)

Clarke (2015:17) makes the point that “researchers in natural science will try to define meanings with great precision”, in other words by exact science, whilst researchers in the social science environment “often recognise that concepts within their models may be based on opinions, values, traditions, cultures and rules that cannot be precisely pinned down”. Frigg and Hartmann (2012:3) make the point that models have two divergent representative purposes, namely “[on] the one hand, a model can be a representation of a selected part of the world (the ‘target system’). Depending on the

nature of the target, such models are either models of phenomena or models of data. On the other hand, a model can represent a theory in the sense that it interprets the laws and axioms of that theory. These two notions are not mutually exclusive as scientific models can be representations in both senses at the same time”.

Given the above, most of the organisational performance models discussed in Chapter 3, as well as the governance models discussed in Chapter 2, can be classified as qualitative diagnostic models in the social science environment as, through their application, one can clearly identify challenges faced by the organisation and specific areas that require attention. This is a key step in improving organisational performance. There is a strong diagnostic element to most of these models as they conform to the description by Brown and Harvey (2006, in Scheepers, 2015:163), who describe the concept of ‘diagnosis’ as “a systematic approach to understanding and describing the present state of the organization. The purpose of the diagnostic phase is to gather information to specify the exact nature of the problem requiring solution, to identify the underlying causal forces, and to provide a basis for selecting effective change strategies and techniques”. It is therefore important that the diagnostic element is not weak, out of order, nor imprecise or defective, as this will be expensive and ineffective for a municipality and not serve the intended aims and objectives of the diagnostic exercise.

The proposed municipal governance and performance model, as presented in Section 6.3, can be regarded as a *qualitative normative social science model* as it advocates a specific desired state or position before an assessment is done. It can be applied by municipalities, researchers and oversight institutions, again as a qualitative descriptive model, as the current status quo could be juxtaposed against the desired state as a measurement instrument or benchmark. The proposed normative governance and performance model can also provide diagnostic orientation as, according to Scheepers (2015:164), it provides the “framework to: (1) determine the status quo; (2) evaluate the status quo against a desired state; and (3) identify the gap between status quo and desired state for each element of the model”.

6.3 PRESENTING THE PROPOSED MUNICIPAL GOVERNANCE AND PERFORMANCE MODEL

The proposed normative municipal governance and performance model, set out in Figure 6.1, captures the key findings from the literature review in Chapter 2 (on governance) and Chapter 3 (on organisational performance) and the legal and policy discussions in chapters 4 and 5. The aim of the model is to provide a broad, yet concise framework that will serve as a roadmap for municipal performance to guide politicians, administrators and those tasked with oversight responsibilities, in identifying critical requirements to ensure the attainment and sustainable institutionalisation of developmental government and performance, underpinned by good governance practices.

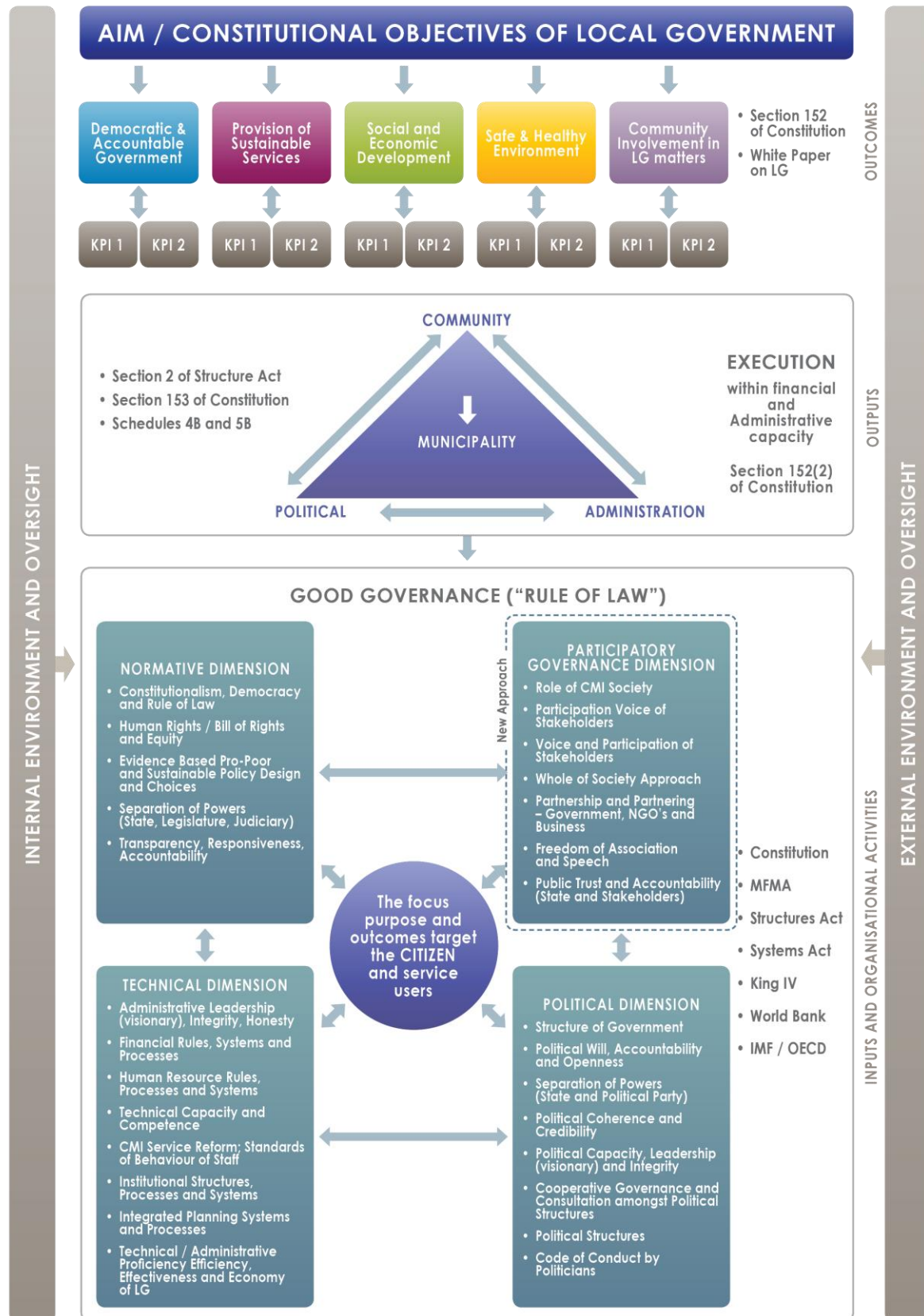


Figure 6.1: Proposed Municipal Governance and Performance Model – Malila Model

6.4 DESCRIBING THE CONSTITUENT PARTS OF THE PROPOSED MUNICIPAL GOOD GOVERNANCE AND PERFORMANCE MODEL (MALILA MODEL)

In conceptualising and developing the municipal good governance and performance model (the Malila model), it is important that the model and its constituent parts and elements subscribe to, and are underpinned by, some key principles and requirements, which include the following:

- The model must subscribe and adhere to the governance principles of the rule of law, particularly to the Constitution and main local government legislation and policy requirements highlighted in chapters 4 and 5 of this dissertation. For example, the White Paper on Local Government, the Systems Act, the Structures Act and the MFMA;
- The Malila model must have universal application across South Africa, regardless of the type or size of a municipality, e.g. whether or not it is a Category A (metro), Category B (local) or Category C (district) municipality, as defined in the Structures Act; and
- It must reflect both the good governance indicators and organisational performance requirements gleaned from the literature review and reflected in chapters 2 and 3.

The Malila model will not attempt to develop sub-indicators for the identified key performance indicators (KPIs) and objectives, nor develop key activities for each element of the model. The National Treasury, DCoGTA and DPME, who are primarily responsible for performance monitoring and oversight of local government, have already commenced with some work in this regard, namely developing a set of standardised indicators for performance measurement of local government. The researcher believes that this dissertation will complement, inform and enrich the National Treasury, DCoGTA and DPME processes, ultimately making municipalities more responsive to deliver on their constitutional requirements. It should be kept in mind that if local government fails in its mandate, South Africa will fail.

6.4.1 The Key Building Blocks Informing the Malila Model

In Chapter 2 it was submitted that in order to develop sound strategies to address municipal performance failures, it is necessary to describe what constitutes a functional, well-performing local municipality in order to have a benchmark to measure against. In this regard, the research considers three important dimensions for assessing municipal performance. Firstly, whether the municipality is performing its functions and delivering on the desired outcomes as set in the Constitution, particularly in Section 152; secondly, whether the political leadership and organisational capacity of the municipality is of such a nature that it will be able to perform functions and deliver outcomes on a sustainable basis; and, thirdly, whether the execution of political and administrative actions is underpinned by the principles of good governance and aimed at improving the conditions of citizens and service users.

6.4.2 Broad Outline and Main Concepts of the Malila Model

The municipal governance and performance model should, as a basis, be developed taking into account the objectives of local government, as this reflects the aim of local government and its desired developmental local government impact. The Constitution, in sections 152(1) and (2), provides this basis and determines the objectives or aims of a municipality (local government), as well as guides each municipality in all activities, including its planning and service delivery processes. Section 152 imbeds “five key measurable areas (key performance areas) for municipal success” and measuring municipal performance and impact. More specifically, the 1996 Constitution states in Section 152(1) that the objects of local government are:

- (a) “To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government”.

Further, Section 152(2) of the Constitution requires that “[a] municipality must strive, within its financial and administrative capacity, to achieve the objects set out in” Section 152(1). This requires an unpacking of both the financial and administrative capacity or, collectively, the institutional and governance arrangements of local government (municipalities) in order to further develop the proposed governance and municipal performance model.

The legislative basis for dealing with the institutional arrangements, which includes both financial and administrative capacity, of local government, is found mainly in the Structures Act, Systems Act and MFMA. In Chapter 4, it is submitted that Section 2 of the Systems Act (No. 32 of 2000) describes a ‘municipality’ as an institution consisting of the following three dimensions:

- “*Political structures*: in relation to a municipality this means the council of the municipality (and not individual political officer bearers) or any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act”;
- *An administration*: generally, refers to the staff of the municipality, which is headed by the municipal manager and set out in Section 55 of the Systems Act; and
- *The community*: this is an important element of the municipality. Its members have statutory conferred rights and obligations, as reflected in the Bill of Rights and set out in Section 5 of the Systems Act.

Chapter 2 of the dissertation deals exclusively with the concept of governance: the various definitions, forms, models and dimensions. In Chapter 2, the researcher highlights that governance has three widely accepted dimensions, namely:

- The *political* dimension – this includes, as submitted by the Governance Working Group (1996), the “processes by which those in authority are selected, elected, monitored and replaced” and includes, according to the

United Nations Economic and Social Commission for Western Asia (ESCWA) (2018), the “structure of government and the structure of accountability and contestability of political leaders”;

- The *economic* (technical) dimension – an element of institutional governance focussed “on resource constraints and the technical know-how on resource mobilisation and utilisation, quality service delivery and economic development”. According to the Governance Working Group (1996), it is the “process by which public resources are effectively managed and sound policies implemented”; and
- The *institutional* dimension – “processes by which citizens and the state itself respect society’s or the public’s institutions” and “includes the capacity of the government to effectively and efficiently formulate and implement sound policies” (Governance Working Group, 1996).

These governance dimensions are pulled into the Malila model and form the foundation of the existence of other components within the model. What is interesting is the fact that there is perfect alignment and overlap between the institutional arrangements of local government and the dimensions of good governance as both encapsulate the three important elements of political, administration and the community, and therefore the success of any municipality is dependent on an appropriate interface between the political, administrative, community and private sector (economic development) structures. The proposed model includes and demonstrates these interfaces and connectors.

Whilst a comprehensive framework of local government legislation exists, as demonstrated in chapters 4 and 5 of this dissertation, the financial arrangements are primarily covered in the MFMA and Chapter 13 of the Constitution, whilst the institutional (administrative and political) arrangements are primarily covered in the Systems and Structures acts of local government. All these various pieces of local government legislation contribute to ensuring enabled, well-capacitated, high-performing, well-integrated and sustainable municipal service delivery.

Chapter 4 sets out the functions of local government in accordance with Section 153 of the Constitution and as listed in its Schedule 4, Part B and Schedule 5, Part B. The

key basic services include the provision of bulk services, such as water, electricity, sanitation and refuse removal. According to the National Treasury (2014), a municipality that achieves and consistently delivers on the constitutional objects of local government by performing these functions “within its financial and administrative capacity”, whilst adhering to the standard of applying good governance practices in its operations (Section 152(2)), “could be described as a functional, well-performing municipality” and, therefore, the service delivery obligations, as expressed in Section 152 of the Constitution, represent the foundation of the proposed municipal governance and performance model.

As indicated earlier, the ability to deliver on the constitutional requirements is premised on the effective institutional (municipality) arrangements and its composition and is subject to the application of good governance principles by the administration (leadership and organisational capacity), politicians (oversight and political leadership) and the community (transparency, oversight and accountability). The model includes the key principles of good governance and its dimensions, which were extensively covered in Chapter 2 of this dissertation. The external and internal factors impacting municipal performance, as well as the role of various oversight institutions is integral to promote accountability to council, parliament and communities, and will inform the proposed governance and performance model as these underpin and support the delivery ability of local government.

6.4.3 Constitutional and Key Local Government Legislative Obligations

The National Treasury MFMA Circular 88 (2017), points out that the Department of Planning, Monitoring and Evaluation (DPME), the National Treasury and the Department of Cooperative Governance and Traditional Affairs (DCoGTA) have in aggregate currently developed 157 indicators for the metropolitan municipalities²⁴. Examples of these are outcomes (transformational and functional), output, compliance and questions. These are intended to monitor municipalities’ performance of functions

²⁴ Down from 2 572 indicators, requiring 18 467 data elements to be reported upon annually by metros. These indicators are catalogued and analysed according to their location on the results-chain, consistent with provisions of the Framework for Managing Programme Performance Information (FMPPi) (National Treasury, 2007).

and delivery against stated constitutional objectives. These indicators will inform intended revisions to the Local Government: Municipal Planning and Performance Management Regulations of 2001. In analysing these outcome and output indicators across a spectrum of key priority areas, it is clear that there is a strong bias towards measuring the provision of services to communities, with an emphasis on outputs rather than outcomes and impact, with far less attention being given to whether or not these are being performed in a sustainable manner.

The MFMA Circular 88 highlights that the work of the reporting reforms project has been focused on the following “municipal functions which informed the development of a set of indicators ... water and sanitation; electricity and energy; housing and community facilities; roads and transport; environment and waste management; fire and emergency services; and governance”. In each case the functions are organised around a set of framing outcomes. The outcomes are generic, non-prescriptive (in terms of municipalities replicating their formulation in planning documentation) and provide the common organising and logical frame through which both outcome and output indicators should be understood.

In this process it is clear that the other objectives of local government, as set out in Section 152 of the Constitution, received very little attention and expansion when these standardised indicators were formulated. The proposed Malila model will expand on these and include all local government objectives as set out in Section 152 of the Constitution as there is clear evidence of municipal performance failures in some of these other constitutionally obligated responsibilities, which are generally ignored in many assessments and analyses.

6.4.3.1 To ‘Provide Democratic and Accountable Government of Local Communities [Section 152(1)(a) of the Constitution]’

Chapter 4 provides a section on the history of local government and the evolution of the local government system pre- and post-2000, particularly focusing on the transformation of apartheid local government structures into the establishment of democratic, non-racial, wall-to-wall municipalities and a local government system.

The provision relating to the provision of *democratic government*, underpinned by the fundamentals of the Constitution, is discussed extensively in Chapter 4 of this dissertation. Democratic government, and for that matter democratic governance, includes key principles such as ‘freedom of speech’, ‘freedom of association’, ‘the promotion of human rights’, ‘public voice and opinion’ and ‘transparency’. Some of these principles that informed the model will be discussed later in this chapter.

Accountable government of local communities, along with its legislative and policy provisions, deals with one of the remaining fundamental good governance principles enshrined in the Constitution, aimed at promoting local government performance, particularly post democratisation in South Africa. This provision is aimed at addressing accountability arrangements between council (politicians), the administration and the community, which was discussed extensively in chapters 3, 4 and 5 of this dissertation.

From an accountability perspective, and as outlined in Chapter 5 of this dissertation, Section 153 of the Constitution necessitates that “a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”. The MFMA on the other hand, together with the Municipal Systems Act, aims to enable and ensure compliance with this constitutional duty by guaranteeing that priorities and plans outlined in the IDP, MTREF budgets, reports of municipalities, as well as implementation actions set out in the SDBIP are properly aligned to ensure progressive implementation and the realisation of the developmental goals and objectives of local government. Figure 6.2 below illustrates the key components and elements of the local government administrative, financial management and accountability cycle, the respective responsibilities of all the governance role-players in the local government system and how they should be aligned and operate in a virtuous cycle, as envisaged by the Constitution, the MFMA and Municipal Systems Act. What follows below Figure 6.2 is a summary of the key accountability arrangements to be included in the components integral to the proposed governance and performance model.

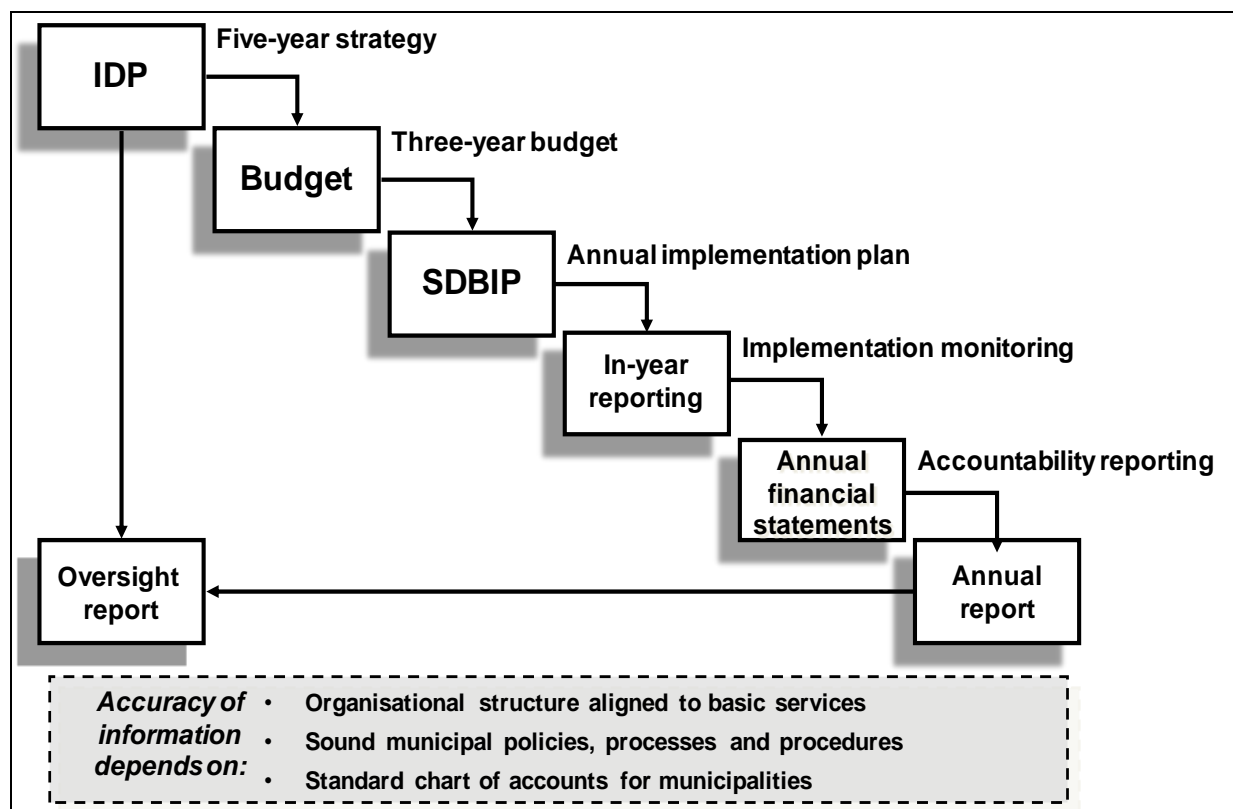


Figure 6.2: Local Government Accountability Framework

Source: National Treasury 2011 (LGBER, 2011:76).

- *The integrated development plan (IDP):* This sets out the goals and development objectives of the municipality over the five-year electoral term (five-year strategy). These objectives must be aligned with the available financial and administrative resources of the municipality. The municipal council must adopt an IDP for five years and conduct an annual review as part of the annual budget and SDBIP processes and also based on the outcome of the assessment of performance as part of the mid-year and annual report processes. Council must consult the community on the compilation of the IDP.
- *The budget:* the medium-term revenue and expenditure (MTREF) budget (three-year budget) sets out the realistic revenue raising ability and expenditure plans of the municipality, which is subject to annual approval by council, together with other budget and policy documentation. The

budget must be aligned with the developmental and economic priorities of the municipalities as set out in the IDP and SDBIP. The budget consists of both an operational and capital budget to facilitate planning and execution across the MTREF period.

- *The service delivery and budget implementation plan (SDBIP)*: this provides the monthly and/or quarterly financial and non-financial (service delivery) targets, which in aggregate should be aligned with and add-up to the annual targets set in the IDP and budget. The SDBIP is regarded as the implementation plan of the budget and the IDP, and is the main source of information for compiling the performance agreements of the municipal manager and senior management.
- *In-year reports*: consist of the monthly, quarterly and mid-year reports by management to the municipal council on the implementation and application of the annual budget and SDBIP. According to the National Treasury (LGBER, 2011:75), through its legislative oversight responsibilities the municipal council, “uses these reports to monitor both the financial and service delivery performance of the municipality’s implementation actions”.
- *Annual financial statements*: set out the financial performance and position of the municipality and together form a comprehensive report reflecting all financial and non-financial activities as these relates to implementation of the budget. Annually, the financial statements “are submitted to the Auditor-General, who issues an audit report indicating the reliance council can place on the statements in exercising oversight” (LGBER, 2011:75).
- *Annual report*: this is regarded as the main accountability instrument of reporting by the mayor and municipal manager to council and the broader public on the performance and application of financial and administrative resources in implementing the IDP priorities, the SDBIP and the budget.
- *Oversight report*: this is a report by council to conclude the accountability loop, which is “based on outcomes highlighted in the annual report and actual performance” (LGBER, 2011:75).

Figure 6.2 also illustrates that the level of correctness or accuracy of information, as provided in the respective accountability documentation, is reliant on a municipality having a strategy and organisational structure that are aligned to the basic service structure and that is supported by institutional mechanisms. This includes sound and effective municipal processes, and policies and procedures that include performance management and implementing a standard chart of account (SCOA)²⁵.

6.4.3.2 To ‘Ensure the Provision of Services to Communities in a Sustainable Manner [Section 152(1)(b) of the Constitution]’

In Chapter 3 of this dissertation the researcher highlighted that the 2017 State of Local Government Report, as compiled by the DCoGTA, acknowledges the progress made by local government since 2004 in providing access to basic services, more specifically that access to basic services for households has increased from 70 per cent to 85 per cent between Census 2001 and Census 2011. Over the same period access to energy increased from 72 to 85 per cent; access to water from 64 to 73 per cent; and access to flush, chemical or ventilated pit toilets and refuse removal from 55 to 62 per cent.

The challenge that remains is to ensure the provision and expansion of these services to communities in a sustainable manner, as failure to do so or failure to maintain the current service standards will compromise the progress made thus far and highly likely result in growing community frustrations and violent public protests through which much needed public infrastructure is often destroyed. It will also result in a total loss of trust and confidence in the delivery ability of local government, which in turn will negatively impact on the ability of the economy to grow and act as a catalyst and enabler to address and improve the socio-economic conditions of citizens.

From a financial perspective, sustainable local government is built on the basis of sustainable financial management, or on the sustainable management of the fiscal and financial affairs of municipalities. Municipalities must take full accountability for their administrative and political actions and cannot expect any form of financial bailout

²⁵ SCOA: The standardised internationally accepted revenue and expenditure classification system.

from either national or provincial government in the event that failure is a result of bad management. The IGFR system does not provide any bailout mechanisms or provisions, other than the support and intervention mechanisms set out in the Constitution, the MFMA and the Systems Act. Municipalities must prioritise the level and quantum of service delivery and ensure that service delivery is cost reflective, affordable for ratepayers and clients, and that the services are delivered in such a manner that sustainability is ensured.

According to the National Treasury (2019), the object of the MFMA is to regulate financial governance matters in a way that promotes and encourages sustainable developmental local government and, in doing so, to not compromise or impede on the right of a municipality to exercise its constitutional and legislative powers and functions. Chapter 5 of this dissertation highlights the legislative and policy requirements that municipalities may only pass budgets that are fully funded, have no deficit and that they may borrow only for capital and infrastructure expenditure. In addition, the MFMA sets strict requirements for short- and long-term borrowing. In this regard, the MFMA specifically provides that municipalities are allowed to only spend the money that they have collected within a fiscal year, and limits borrowing for current expenditure only for bridging purposes. Further, the MFMA does not allow for short-term borrowing to cover current or operational expenditure other than for bridging purposes, but sets the requirement that bridging finance may not be carried over to the next financial year.

Central to the MFMA, its Regulations and the many National Treasury circulars issued in relation to the MFMA is the issue of improved strengthening of financial governance as it relates to accountability, oversight, transparency, communication, empowerment and clarity and differentiation of roles and responsibilities between council, the mayor and the accounting officer. As highlighted in Chapter 5 and earlier in this chapter, the MFMA requires regular (monthly, quarterly, six monthly and annually) and accurate financial and non-financial reporting to the council in the interest of providing an early warning system that facilitates an environment in which potential or actual financial and non-financial problems are reported in a timely and appropriate manner. This early warning system embedded within the MFMA and its regulations allows the municipal council to remedy the situation of potential non- or under-performance and appropriately address risks, thereby ensuring sustainable municipal service delivery.

The annual assessments of budgets by national and provincial oversight institutions, such as the National Treasury, provincial treasuries and provincial DCoGTAs, focusing on financial and institutional sustainability and responsiveness, should be considered by municipalities. This includes the five yearly assessments of the IDPs, the annual reviews of the IDPs, municipal spatial development frameworks (MSDFs) and SDBIPs. The importance of these assessments by external stakeholders is stipulated in Chapter 5 of the Municipal Systems Act, the MSA Regulations and the MFMA and were extensively discussed in Chapter 5 of this dissertation. According to Stellenbosch Municipality (2018:66), this annual assessment of the budgets' process affords the "provincial sphere of government an opportunity to exercise its monitoring and support role to municipalities as stipulated by the Constitution" and, in addition, "provide an indication of the ability and readiness of municipalities to deliver on their legislative and Constitutional mandates" and seeks to ensure that the budgets, programmes and projects of municipalities and provincial and national departments "are derived from robust and integrated planning processes, at the heart of which is the development of an IDP" and its core components, such as a MSDF.

MSDFs must direct the spatial location of growth and development within municipal areas for a period of up to 20 years, and the evidence of the implementation of this spatial vision must be evident in the programmes, projects and budget allocations within the IDPs. This golden thread must be clearly and unambiguously evident in these policy documents.

Other key issues that may affect municipal sustainability and should be considered by councils include the constrained economic and fiscal environment impacting on revenue, employment and poverty coupled with growing service delivery demands and rising cost pressures in excess of annual inflation targets affecting, in particular, input costs mainly related to personnel costs and bulk purchases. Municipalities must therefore adjust their approach and, from a risk perspective, adopt a more realistic approach in estimating municipal revenue, as well as tighten poverty relief policies, ensuring that the most deserving population is targeted. Municipalities should also fast-track service delivery objectives within affordable revenue and expenditure parameters; manage water and electricity losses by, amongst others, replacing dilapidated infrastructure, fixing water leaks, embarking on educational campaigns and implementing effective water pricing strategies; and seek and implement

efficiencies in processes, systems and operations to contain rising cost pressures and progressively move towards more sustainable solutions.

Municipalities must guard against negative factors that will impact their ability to provide services in a sustainable manner, such as corruption and maladministration, and focus on providing an enabling environment for sustained service delivery. A focus on infrastructure delivery and ensuring adequate expenditure on repairs and maintenance is important to avoid threatening the quality and reliability of municipal services. The National Treasury (2019:146) highlights that the “medium to long term consequences of underspending on repairs and maintenance include: deteriorating reliability and quality of services; move to more expensive crisis maintenance, rather than planned maintenance; increasing the future cost of maintenance and refurbishment; shortening the useful lifespan of assets, necessitating earlier replacement; and reduced revenues due to the failure to sell water and electricity, and other services”.

To ensure sustainable municipal performance and respond to the innumerable amount of challenges that they face, municipalities should strengthen their internal and institutional ability, particularly in human resource management, planning, engineering, financial administration and oversight. Municipalities must also consider following an integrated management approach to planning, budgeting and delivery to ensure delivery of services on a sustainable basis, as required by the Constitution. Regional and local economies are interconnected and delivering public value in an impactful manner cannot be done independently of each other. Therefore, integrated management that will lead to a more coordinated approach to government planning, budgeting and delivery across provincial and local spheres is seen as a catalyst for service delivery impact and inclusive growth on a sustainable basis, particularly pulling in both the provincial and national spheres of government to ensure coordinated service delivery, more optimal use of resources and better alignment of objectives and outcomes of which social and economic growth and development on a sustainable basis remain key. The principle of integrated management connects to the next objective of promoting social and economic development and inclusion, as outlined in Section 152 of the Constitution.

6.4.3.3 To 'Promote Social and Economic Development [Section 152(1)(c) of the Constitution]'

The proposed municipal governance and performance model (Malila model) acknowledges the role of local government in promoting social and economic development, particularly in building more inclusive and shared local economies and unlocking opportunities for growth and jobs. The current economic outlook for the world, South Africa and municipalities, remains fragile and is extremely vulnerable to any external factors impacting on the ability of the economy to grow. However, it is important to recognise that there are significant changes to the context in which municipalities are implementing their mandates. In the context of a VUCA (volatile, uncertain, complex and ambiguous) world, the more traditional assumptions and ways of working to create a developmental local government (state) are increasingly ill-fitting. Factors in South Africa putting extraordinary pressure on the ability of the economy to grow include stubbornly high unemployment rates coupled with growing fiscal austerity; social inequality; changing demographics and population pressures linked to service delivery demands; and socio-economic dynamics and social ills, particularly related to youth, coupled with gender and race inequalities. These remain some of the key challenges that municipalities need to respond to in crafting their IDPs.

These economic pressures emphasise the essential requirements of systematic and exhaustive integrated development planning; effective public participation processes and measured, well thought out policymaking; and active economic transformation and suitable public policy responses aimed at stimulating economic growth and human development. Municipalities are at the vanguard of public service delivery and public policy implementation and this confirms the strategic importance and location of municipalities to drive development initiatives that will improve the socio-economic conditions of people. Despite great strides made in addressing governance issues and attaining unqualified audits, the sustainability of municipalities is under threat given, amongst others, challenging economic, social and political realities and resultant pressures on budgets and service delivery. There is increasing recognition that sustainable local government is in its broader sense dependent on and linked to economic development within the localities and regions.

Inclusive economic development entails a large proportion of the labour force participating in and enjoying the benefits of growth. Attaining inclusive growth goes further than promoting broad-based growth that creates employment opportunities; it should also improve quality of life through basic services that in turn influence levels of economic growth. Municipalities should strive for inclusive growth and utilise levers of economic growth that are contained in local government mandates and the 'basic' functions that local government performs by creating an attractive environment through providing affordable, quality services.

Municipalities can create enabling opportunities and attract investment, which is largely done through the provision and delivery of basic services, such as water, electricity and refuse removal. Other levers within local government include infrastructure development, local economic development and procurement. Skills development, training and internships are also ways to influence employment outcomes. Spatial and environmental engagement is another key element of inclusive economic development where municipalities play a critical role. Local government can also be a catalyst for social and economic investment through the consideration of municipal policies and by-laws that enable a thriving economic environment that attracts investment into the area, as well as incentivise and encourage inclusion of the community and support of the vulnerable.

Municipalities have a key role to play in creating an environment for economic investment and growth by doing the basics well, e.g. well-managed town and business centres, clean and safe areas, the provision of services and infrastructure, speedy approval processes, administrations that are responsive to business requests and councils that are able to make consistent decisions. Infrastructure investment is a key priority for supporting growth and socio-economic transformation, and is a key instrument or level to ignite and support economic growth and development as it provides an effective and targeted mechanism to support and enable socio-economic development as well as lays the foundation for advancing to an improved new level of economic resilience and responsiveness in an increasingly challenging, uncertain and volatile fiscal and economic environment. Better basic services significantly improve the well-being of people who are less advantaged and especially those most vulnerable to hardship.

There is a concentration of economic activity at different levels and one needs to understand the concentration and linkages of the spatial economy to plan for economic development, e.g. links between urban and rural are important for sustainability. Spatial transformation is essential to address the legacy left by apartheid, to bridge the policy-practice gap and to achieve social-ecological resilience and inclusion.

Municipalities should consider how to:

- Capitalise on their unique settlement typologies/assets/knowledge economy;
- Consolidate and enhance investment in economically vibrant areas/service delivery/resources and development management;
- Cluster activities to demote suburban development/investment in economic infrastructure/resource management; and
- Connect economic and social opportunities, regional economic infrastructure or climate change adaptation.

Municipalities can also take more innovative and entrepreneurial approaches to economic development, being more active in creating and shaping markets or developing new skills sets, and should use technology as an enabler (e.g. for efficiency). Infrastructure spending and targeting is key. Integrated development planning is a tool for the more effective use of resources and should take a more holistic economic development approach. Each municipality or region should be familiar with the key risks and opportunities and factor these into the IDP formulation and budgeting processes.

Municipalities need to consider organising themselves differently for socio-economic development, which is a role beyond the delivery of traditional municipal services. Municipalities need to specifically consider their partners for socio-economic development, as there are mandates and levers beyond their control. Local municipalities need to be able to form cross-boundary partnerships with their neighbours in support of regional economic development initiatives. Municipalities should leverage the mandates and resources of other spheres of government, as well

as the private sector and community sector through partnerships to achieve socio-economic development.

Municipal performance and sustainability requires successful socio-economic development and spatial transformation. The best way to grow and sustain a municipal revenue base, deliver basic services and reduce the number of poor households is by growing the economy in an inclusive way. To do this, municipalities need to engage proactively in a variety of partnerships and relationships beyond conventional public-private partnerships (PPPs). Municipalities must adopt an explicit partnering (or integrated management) approach in the formulation and implementation of their integrated development plans (IDPs) and spatial development frameworks (SDFs). The effective use of private sector expertise through co-production of public services is key as it suggests an openness to being innovative and exploring new ways of designing and delivering public services. The types of partnerships that could be used for economic development partnerships include transversal, intergovernmental, cross-boundary and cross-sector partnering and can include local government bodies like SALGA and Cities Support Programme.

6.4.3.4 To 'Promote a Safe and Healthy Environment [Section 152(1)(d) of the Constitution]'

The issue of providing a safe and healthy environment, particularly as it relates to spatial planning, is integral to growing the local economy. The spatial planning function (as distinct from municipal planning) of municipalities is key to achieving this objective. It is critical to determine and remould the urban form to create safer, healthier and more functional cities. Municipalities must develop clear and unambiguous policies in this regard and appoint qualified staff to deal with the issue of spatial planning.

The planning function is executed across a range of complex institutional arrangements, which makes co-ordination of processes relating to the built environment difficult. Municipalities must ensure that there is periodic review of planning frameworks and activities given the vulnerability of this area for improper behaviour and influence of staff responsible for the planning portfolio. Mechanisms must be instituted to prevent corruption. Municipalities must capacitate themselves to

plan and influence the spatial form of land use patterns and not be overly dependent on consultants. The perpetuation of apartheid-style spatial development patterns and undirected developments that compromise communities' health and safety (e.g. developments in areas prone to flooding, or the location of housing developments next to heavy industries), influences developmental local government and performance.

Other functions important to this objective are fire-fighting, building inspections, air and noise pollution control, water purification, the proper management of refuse dumps and sewerage works, and the provision of municipal amenities (such as parks and sports facilities). Municipalities should guard against under-funding these functions that are not 'directly' linked to the provision of the key basic services, or which have simply not yet had their functions established.

6.4.3.5 To 'Encourage the Involvement of Communities and Community Organisations in the Matters of Local Government [Section 152(1)(e) of the Constitution]'

Embedding involvement of communities, community organisations and other key stakeholders in the matters of local government is by far one of the most important cornerstones of developmental local government, particularly post the establishment of the Constitution and democratically accountable local government. Section 152(1)(e) of the Constitution provides for and places great emphasis on the "involvement of communities and community organisations in the matters of local government", highlighting the importance of being community focussed. Section 19(1) of the Structures Act refers to the clear objectives as provided for in Section 152 of the Constitution. Section 19(2) of the Structures Act provides "that municipal councils must annually review; the needs of the community, its priorities to meet those needs, its process for involving the community, its organizational and delivery mechanisms for meeting the needs of the community, and its overall performance in achieving the objectives "of local government as set out in Section 152 of the Constitution". The Structures Act, in Section 19(3), requires municipal councils to "consult the community and community organizations in performing their functions and exercising its powers", which was not the case pre-democratisation in South Africa.

In addition to the legislative requirement of consultation with communities in key municipal processes, Moyo (2016:23, citing David, 2009) makes the point that “there are distinct advantages to consulting with communities on matters that affect them”, highlighting that some include: “a sense of belonging to communities, in other words, if communities are consulted there is a sense of ownership and pride, communities assist with the prioritizing of needs, communities get what they need in terms of priorities, and by participating in decision-making, communities are more likely to pay for services because they understand the inner workings of municipalities better and the system of prioritizing projects”. In Moyo (2016:23, citing David, 2009) some disadvantages of communities include issues such as “delays in decision-making, over-consulting (consultative paralysis), also leads to delays in decision-making, identifying community leaders, people have hidden agendas, roles are often confused, for example, the role between the elected community leader (councillors) and the non-elected community leader, and financial impact of consulting must be considered, consulting not only takes time, it also costs a lot of money”.

A recent case study by Brand (2019) analyses a new innovative web-based mechanism developed and introduced by a non-profit community organisation that enabled South African citizens to respond to the recent water shortage in Cape Town, recording the largest number of participants in a public policy matter in Cape Town. In the case study, he found that “the web-based platform, *Dear South Africa* enables citizens to influence policies by making submissions concerning pieces of legislation and policies under consideration by a Parliamentary Committee or other government institution”, and “provides citizens with the opportunity to take part in a legally protected policy-shaping process and to make written or oral submissions in order to influence public policies at national and local levels”. Brand (2019) points out that “*Dear South Africa* provides a tool to overcome obstacles to public participation by highlighting important public policy issues at the national, provincial and local levels and providing a user-friendly forum which enables citizens to submit comments on government policies or proposed legislation”.

This new approach to public consultation and participation is a major departure from the traditional legislative public participation processes with which South Africans have become accustomed, particularly within the local government environment as it relates to policy and law making and the budgetary and IDP processes. It is conceivable that

this approach has the ability to fundamentally ‘change the game’ in public participation and community involvement in policy and law making and can serve as a potentially valuable mechanism for co-production. Brand (2019) highlights that one of the key lessons and potential steps in taking this forward is the hope that “this initiative will also influence government institutions to shift more towards co-production and to work more closely and from an earlier stage with those citizens in co-design processes who have made the most useful contributions” and that it “could be the next step to allow the platform to shift from simply hosting public campaigns towards promoting a genuine dialogue where both sides make a significant contribution towards better public policies for South Africa”.

The constitutional provision for community and public participation requires more than mere compliance, as this constitutional objective does not have rule compliance in mind, but rather looks at the quality of governance and the role that the community could play in it. Public participation must have an effect. Part of this should be to create effective channels of communication, but at the next level it also includes, where applicable, co-production of services. This goal is also linked to the concept of citizen-centric governance and responsive governance, which are related issues that reflect on quality and impact.

The proposed governance and performance model (Malila model) provides a basis for municipalities to establish meaningful community participation and stakeholder management and guard against issues such as doing community and public consultation for mere compliance purposes and effectively just paying lip-service to the process. Councillors and municipal officials must take ownership of the stakeholder engagement processes, thereby strengthening accountability – preventing public consultation from becoming information sessions with little input from the community being solicited or considered and compiling wish-lists that have little value for planning and budgeting purposes – and using the processes to establish the real priorities of communities so that these can inform plans and budgets.

6.4.4 A Municipal Governance and Performance Model: Internal and External Factors

In Chapter 3 of this dissertation, the Gavrea Model, the Rogers Model, the Nicolson and Brenner Model and the Burk and Litwin Model acknowledge the existence and influence of both the internal and external environment on organisational performance. In Chapter 2 there are various governance models that consider internal and external dynamics and their impact on the governance arrangements of institutions. The National Treasury (2014) equally acknowledges that municipalities, as an organisation, function “within a system of local government”, and that in addition to the constitutional and legislative obligations for delivery, from which an assessment of performance could be made, there are both internal institutional factors and a range of external factors that impact on the environment within which municipalities work and deliver on the constitutional objectives of local government. Very often problems in the external environment cause or aggravate problems inside municipalities and hamper them from optimal performance.

Internal factors impacting on the performance and delivery ability of a municipality are the primary accountability of the council and the mayor. Whilst the responsibility for developing a strategy to address the service delivery problems lies with the council as a collective, the responsibility to implement the strategy rests with the mayor, the municipal manager and the executive management of the municipality. In this regard, as set out in the Constitution and in national and provincial legislation, both national and provincial government, as well as district municipalities must play a supporting role to enable the metropolitan and local municipalities to perform their function. If the problem lies in the external environment, the different role-players’ roles, responsibilities and parameters must be clearly articulated, defined and understood to ensure proper accountability arrangements and execution.

The internal and external factors affecting municipal performance form an integral part of the proposed municipal governance and performance model. What follows is some of the internal and external factors that impact directly on the governance and performance of a municipality.

6.4.4.1 Internal factors and oversight impacting on governance and performance

Internal factors are those that are under direct control and influence of the administration and mostly governed by legislative provisions and requirements, or by good governance practices. Some of the internal factors impacting on governance and performance of a municipality include the following.

6.4.4.1.1 Community oversight, accountability and leadership

Community oversight and accountability is probably the most important incentive for municipalities to perform, as five-yearly municipal elections provide for periodic accountability, both from a political and administrative perspective. However, these need to be supplemented by ongoing interactions between communities, councillors and municipalities, as the absence of such interactions may lead to a disconnect between the municipality and citizens and even result in service delivery protests. Councils and municipalities need to put more constructive mechanisms in place to facilitate community oversight and accountability – such as the proactive implementation of ward committees, performance scorecards, effective consultation processes linked to the IDP and budgets, and the publication of user-friendly and transparent accountability documents and reports.

Political accountability and taking responsibility for failures in political leadership in a municipality vests with the mayor. The constitutional and legal framework make the council and mayor of a municipality responsible for ensuring that the municipality is structured and functions in a way that ensures the sustainable delivery of services. If the municipality fails to do so and the cause for the failure is internal to the municipality, the council/mayor is accountable for such performance failures. This implies that persistent municipal performance failures that have internal causes can be mainly attributed to failures in the council and mayor's political leadership. It is the council/mayor's responsibility to provide good political leadership and the strategic guidance to ensure that the municipal management resolves the factors that are hindering the municipalities' performance.

Despite appreciating and acknowledging the importance of strong ethical leadership, Bolden (2004:4) makes the point that "there remains a certain mystery as to what

leadership actually *is* or how to define it". Many authors have written literature on the subject of leadership, yet Stogdill (1974, in Bolden, 2004:4), in an analysis and review of research and literature on the subject of 'leadership', submits that "there are almost as many definitions of leadership as there are persons who have attempted to define the concept", noting that Stogdill (1974) made this finding over 45 years ago.

Bolden (2004:5), in a research report titled 'What is leadership?', cites Northouse (2004) who "identified four common themes in the way leadership now tends to be conceived: (1) leadership is a process; (2) leadership involves influence; (3) leadership occurs in a group context; and (4) leadership involves goal attainment". In this process of unpacking the four themes, Northouse (2004) defines leadership as "a process whereby an individual influences a group of individuals to achieve a common goal". Bolden (2005:5b) summarises the many theories on leadership in a short, yet impactful statement as "a complex phenomenon that touches on many other important organisational, social and personal processes ... depends on a process of influence, whereby people are inspired to work towards group goals". Leaders, particularly in the public sector, must therefore aim to adhere to the Norton good governance principles of 'public life', which, according to Education Alliance (2018), include "selflessness, integrity, objectivity, accountability, openness, honesty and leadership".

Scheepers (2015:189, citing Schwella, 2013) identifies "five approaches to leadership, namely (1) the traits approach; (2) behavioural approach; (3) situational or contingency approach; (4) transformational or new charismatic approach; and (5) the social learning approach". In addition, "Schwella (2013:68-69) identified the specific contextual realities of public sector leadership", as including the following:

- Public leadership takes place within the social political system, creating the need to understand and work with political processes and role players. The status and motivation of political role players are not the same as those of board members of any company.
- Public leaders have to work with public pressure and protest. In the public domain, these matters are necessary for functional democratic purposes and are not signs of something that might have gone wrong as they may be interpreted in the private sector context.

- Public leaders should actively pursue a sense of democratic public accountability where openness is not only tolerated or accepted, but actively encouraged.

In their findings, the National Treasury (2014) makes the point that many municipal performance failures can be directly ascribed to failures in political leadership and oversight, which includes some of the following:

- A council paralysed by disruptive, internal political conflicts is unable to fulfil its decision-making role properly: consequently, key appointments do not get made, plans and budgets do not get passed and critical decisions on tariffs are not made;
- Councillors and mayors that are corrupt, undermine municipal systems and service delivery, and are often directly responsible for performance failures;
- Slightly more-subtler are those councillors and mayors that are in it for themselves, but rather than being overtly corrupt seek to 'work the system' to their advantage. They push the boundaries of good governance, which will ultimately undermine the organisational culture and impact negatively on service delivery; and
- Certain councillors are simply incompetent, unable to give strategic leadership on critical issues. If they remain in council they can hide in the group, it is when they are made mayor that it becomes a problem.

When analysing these political root causes for municipal failures, it is clear that many of them cannot be solved through technical support or technical intervention. They require political solutions that address the issue of leadership and accountability at political level.

Bolden, et al. (2003:23) assessed 24 different leadership models and competency frameworks across various disciplines and makes the point that the employee organisation for local government in the United Kingdom (UK), whose "role is to help

councils achieve the high standards of people management needed to ensure the continuous improvement of services”, and has developed “a compendium of leadership competencies ... local authorities across the UK” and that “[t]hese have been classified into 20 different categories”, which can be equally applied to the local government environment in South Africa and which have been incorporated and mainstreamed in the good governance and performance model (Malila model) as outlined in Figure 6.1. These competencies for local government leaders (politically and administratively) include:

1. **“Change**: includes challenging leadership for change, managing change/strategic thinking;
2. **Communication**: includes communicating, customer care, listening and organising;
3. **Corporate focus**: includes collective responsibility, corporate focus, developing a learning organisation, evaluating and improving organisational performance, organisational awareness, organisational effectiveness;
4. **Customer focus**: includes commitment to quality customer service, customer focused service delivery, sharpening customer and service focus;
5. **Decision making**: includes analysing and solving problems, decision making, identifying and solving problems, judgement;
6. **Equality and diversity**: includes achieving equal opportunities, demonstrating leadership in implementing equalities, managing equitably, valuing diversity;
7. **Focus on results**: includes achievement focus, focusing on results, managing for results;
8. **Impact and influence**: includes acting assertively, impact and influence, interpersonal skills, networking and influencing, partnership working, persuasiveness;
9. **Information management**: includes gathering and using information, getting unbiased information, giving clear information, information and communication management, searching for information;
10. **Integrity**: includes behaving ethically, integrity;

11. **Leading people:** includes appraising people and performance, developing others, disciplining and counselling, enabling, leadership, managing people, developing and understanding others, personal and staff development, training, coaching and delegating, valuing people;
12. **Partnerships:** includes community leadership, co-operating with others, leading integrated working, networking and influencing, working in partnership;
13. **Personal management and drive:** includes determination, managing self, motivation and drive, personal effectiveness, personal management, planning and scheduling work, setting goals and standards, time management and prioritising;
14. **Political awareness:** includes democratic support, political and organisational awareness, working competently within the political environment;
15. **Project and process management:** includes managing projects, organisational and project management;
16. **Resource management**
17. **Safety**
18. **Service improvement:** includes continuous improvement to service delivery, delivering excellence, leading the challenge on continuous service improvement, managing the executive programme and performance, service co-ordination and management, sharpening customer and service focus;
19. **Strategic focus:** includes acting strategically, developing strategy, managing change/strategic thinking, strategic behaviour, vision; and
20. **Team Building:** includes building teams, working in and developing teams”.

It is important for both political and administrative leadership in local government to display and apply these leadership principles to ensure municipal performance.

6.4.4.1.2 Institutional and organisational capacity

Strong institutional or organisational capacity is built upon the way the municipality is structured and functions in practice. In a functional, well-performing municipality, when crafting the back-to-basics strategy for local government improvement, the national DCoGTA and the National Treasury (2014) found that organisational capacity built upon:

- *Sound political leadership skills*: councils with vision and good working relationships with management (political-administrative interface) are essential to ensure municipal performance. Councillors committed to the principles of good governance and service delivery play a critical decision-making and oversight role;
- *Sound administrative leadership skills and staff complement*: this includes a municipal manager, and senior and technical staff that are qualified, competent, committed to service delivery and community oriented, can manage the political-administrative interface and who have good leadership abilities. A functional organisational structure and competent staff complement, particularly in key positions, including a sound system of delegation, strong internal and external co-ordination, appropriate reporting and oversight mechanisms, as well as learning and growth opportunities that pass on skills and preserve institutional memory;
- *Governance*: good governance practices facilitate transparent, accountable and participative decision making and oversight and includes responsiveness to community and stakeholder participation and feedback. Good governance includes ethical behaviour, sound work ethic, striving for excellence, acceptance of diversity and a 'public service' that subscribes to Batho Pele oriented service standards;
- *Priorities, policies and plans*: priorities and plans that addresses the communities' social and economic development needs, with an emphasis on the interests of the poor, the youth, the vulnerable and women. This includes a sustainable, community-driven IDP, budget and spatial plan;
- *Institutional systems and technology*: key decision-making, management and reporting systems should be in place and functioning, and should

include effective and efficient service delivery and monitoring systems. This should also include financial management systems for budgeting, accounting, cash-flow management, debtor management and financial reporting systems; supply chain management systems, especially for procurement; human resource management systems, especially the appointment processes; spatial planning and development approval processes; capital project management processes; and asset registers and planned maintenance systems; and

- *Financial management, budget and SCM:* sound revenue, expenditure, asset and liability management processes, as well as SCM processes that are innovative and free from unnecessary 'red-tape'; transparent; customer focused; fair, efficient and honest; effective contract and good project management, processes, systems and procedures.

From an internal perspective, the role, functions and responsibilities of oversight institutions and bodies having an impact on municipal performance have been covered extensively, primarily in Chapter 5, with the underlying theories covered in chapters 2, 3 and 4 of this dissertation. Their role is captured extensively in the legislative and policy documentation and includes the council and individual councillors, the mayor, the mayoral Committee and its members, other council oversight committees, internal audit and risk management committees, the municipal manager and senior staff, and the various administrative committees, such as finance, human resource management, supply chain management and infrastructure and technical.

6.4.4.2 External Factors and Oversight Impacting on Governance and Performance

External factors are those things that are not necessarily under the direct control of the municipality (the administration). This does not however imply that the administration (institution) is unable to influence external factors so as to minimise the impact of the institution. Some of the external factors include the following.

6.4.4.2.1 Political environment

Earlier chapters expressed the sentiment that, in order to ensure sustainable municipal performance, the national, provincial and municipal political leadership must play a critical role in shaping the political environment of local government. This should firstly be done by setting an example of good governance practices; secondly, by the messaging from political leaders, mainly on ethical conduct and behaviour; and, thirdly, through demonstrating political will to deal with the poor performance of political colleagues in local government. The National Treasury (2014) and AGSA (2018) found that some reasons for the persistence of political problems in local government can be attributed to a failure by the national and provincial executives to properly exercise the powers vested in them by Section 139 of the Constitution and to deal decisively with dysfunctional councils and corrupt mayors and councillors. A political climate must be created that places pressure on mayors and councillors to give strong and effective leadership to their municipalities so as to ensure success. In addition, a zero tolerance stance or signal must be conveyed regarding mediocrity, careerism, self-enrichment and corruption, and for harsh and decisive sanctions should be actioned for non-delivery and corruption. This will provide assurance to the communities that no one, including mayors and councillors, is 'above the law'.

6.4.4.2.2 Intersphere roles and responsibilities

Chapters 2, 3 and 4 of this dissertation highlight the roles and oversight responsibilities of the national and provincial spheres of government as these relate to local government. It is obvious that there is no clarity as to who is responsible for some areas. Duplication and overlap in some local government legislation and policy documentation creates uncertainty and impacts on the governance and performance arrangements of municipalities. Of particular concern are issues relating to the powers and functions of local government; duplication and overlap between the MFMA and Systems Act; mechanisms for intervention in municipalities as set out in the Constitution and MFMA; and the role of the national executive (cabinet) and provincial executive councils, as well as clarifying the roles of the National Treasury and the DCoGTA and their respective provincial counterparts regarding oversight over municipalities. If national and provincial government is to effectively provide support

to local government, it is absolutely essential that the roles and responsibilities of all role-players are clearly defined, and mechanisms put in place to ensure proper co-operation and co-ordination between them.

6.4.4.2.3 Other external factors impacting municipal governance and performance

Some other factors that impact on the performance of local government, highlighted in Chapter 3, include responses from stakeholders and communities to service delivery issues that fall outside of the scope of local government; constraints in the fiscal environment (fiscal framework and economic climate); clarifying the structure, role and functions of local government; assessing the extent of the impact of national policies on the delivery mandate of local government; and reviewing the intergovernmental system and legislative framework of local government, particularly as it relates to oversight, accountability and support and intervention arrangements.

Other external factors that impact local government, such as economic and environmental factors, include the current negative international and domestic economic environment, poor national economic and fiscal policy responses and uncertainty, fiscal uncertainty and sustainability, urbanisation and population shift, increase in service load pressures, high-tech developments and climate change (drought), all of which require specific response strategies to ensure municipal performance sustainability.

From an external perspective, the role, functions and responsibilities of oversight institutions and bodies that have an impact on municipal performance were covered extensively in the earlier chapters of this dissertation. Their role is captured in the legislative and policy documentation and includes institutions such as the AGSA and Public Protector (Constitution Chapter 9 institutions); national and provincial legislatures and the respective oversight committees, national cabinet and provincial executive councils; national departments, such as the Treasury, DCoGTA, DPME in the Presidency, as well as their respective provincial counterparts; StatsSA; and, importantly, the community, various stakeholders and service users.

6.4.5 Municipal Governance and Performance Model: Good Governance Elements and Indicators

Chapter 2 of the dissertation deals exclusively with the concept of governance, and particularly focuses on good governance in the public sector. Good governance is defined by various institutions, and consists of various elements that were comprehensively analysed in Chapter 2. The World Bank (1992) “has defined ‘good governance’ as epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law” and as characterised by “participation, consensus orientation, rule of law, transparency, accountability, responsiveness, effectiveness and efficiency, equity and inclusiveness”. Good governance, according to BMZ (2014:10), contributes to the achievement of good governance targets and is thus geared to sustainable development:

- By promoting a socio-economically and environmentally sustainable pro-poor policy, good governance contributes to reducing poverty and shaping sustainable policies;
- By redressing the unequal distribution of assets, financial governance helps to protect and safeguard human rights and promotes a social and sustainable market economy;
- By increasing the transparency of state action thus improving the conditions for opinion formation, political participation and personal initiative;
- By supporting the separation of powers and thus promoting the rule of law and effective state action, as well as anti-corruption work in the field of public finance; and
- Enabling citizens to participate and engage in financial oversight and thus promoting democracy and accountability, as well as constructive relationships between the state and society.

In South Africa, the various King Reports²⁶, in addition to the various legislative requirements for good governance, provide the norms and standards for good governance in the private and public sectors. The Institute of Directors (IoD) (2016:82-86) makes the point that the King IV Report embraces the four key principles of sustainable development, ethical and effective leadership, integrated thinking and stakeholder inclusivity. The King IV Report provides a sector supplement exclusively devoted to local government (municipalities). It lays the basis for governance outcomes extensively discussed in King IV, and includes “ethical culture, good performance, effective control and legitimacy” under the umbrella of good governance principles 1 to 16, but with particular application in local government. These are more or less the same principles that the AGSA uses to test municipalities’ adherence to the good governance principles, an area where major shortcomings have already been identified in recent years.

6.4.5.1 Governance dimensions and elements of good governance

In addition to defining good governance and analysing the various good governance models, Chapter 2 also provides an analysis of the three governance dimensions: political, institutional/technical and normative, which underpins the good governance element of the proposed municipal good governance and performance model in this chapter. The dimensions of good governance captured in the Malila model, include the following.

6.4.5.1.1 Political (democratic) dimension of good governance

The political dimension of governance includes “the processes by which those in authority are selected, elected, monitored and replaced” and has two sub-components: (1) the structure of government; and (2) “the structure of accountability and contestability of political leaders”. The structure of government is concerned with the legal and practical separation of powers between the executive, legislature and

²⁶ King I, II, III and IV.

judiciary, whilst the structure of accountability and contestability of political leaders deals primarily with the quality of public policies designed by political leaders as a measure of the quality of governance, whilst the policy choices depend in part on the degree to which leaders are held to account. This dimension, according to the World Bank (2018), covers the “degree of political competition in choosing both leaders and civil servants, the credibility of political parties, the orderly transfer of power, transparency in party financing, disclosure of parliamentary votes and asset declaration, and the existence and enforcement of conflict-of-interest rules, general openness of the political structure, including the opportunities for multi-faceted political expression and for non-elites, minorities, and the disenfranchised to gain access to political power”.

In Chapter 2, it is submitted that “good political governance helps enhance the credibility of government” and contributes to improving the effectiveness of the state and the administration. It boosts investor confidence and trust, which in turn can support economic development and growth. Good political governance impacts on the economy, particularly on addressing socio-economic challenges of unemployment, skills and human development. Good political governance creates a more conducive environment for growth, development, increased investment and the creation of employment opportunities, particularly in local government. Success is dependent on an appropriate interface between the political, administrative, community and private sector (economic development) structures, an approach that is supported and aligned to the definition of ‘municipality’ as set out in the Structures Act.

6.4.5.1.2 Institutional/technical dimension of good governance

According to the Governance Working Group (1996), the institutional dimension of governance “is concerned with the ability of governmental institutions to manage and get ... done through institutional mechanisms”, which includes the “state’s institutional capacity, structural arrangements, decision making processes and the interaction and relationship between government officials, public agencies and the local people” (community) with the main objective to effectively and efficiently formulate and implement sound governance policies. The institutional dimension includes the

processes and procedures by which local communities and government itself respect societies and public institutions.

The technical (or economic) dimension of governance is regarded as an element of institutional governance and focusses on the technical capacity, expertise and knowledge of the state (public servants) to make and implement technical decisions. It is about the ability to operate efficiently and effectively within a resource constrained environment while having, according to the Governance Working Group (1996), the “technical know-how on resource mobilisation and utilisation, quality service delivery and [an] economic development process by which public resources are effectively managed and sound policies implemented”.

The technical dimension of governance calls for improvement in the quality of public servants’ execution of technical processes, such as public finance management (revenue, expenditure, asset and liability management), and civil service reform (cost containments measures, strengthening personnel management practices and the effectiveness and efficacy of public agencies). It requires administrative capacity, structures and systems designed to accomplish goals and objectives (perform) and includes the regulatory, administrative, technical and extractive (revenue) dimensions of state capacity. These dimensions are highly interrelated and it is cumulative weaknesses, and not necessarily a single weakness, that make the function of a municipality effective or not.

In the main, as highlighted in Chapter 2 of this dissertation and submitted by Silvestrum (2012:6), this dimension of governance is about assessing:

- (1) Government effectiveness – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies; and
- (2) Regulatory quality – capturing perceptions of the ability of government to formulate and implement sound policies and regulations that permit and promote private sector development.

The dimension does not only assess the effectiveness of the state, but also includes the assessment of the remaining two components of the three 'e's', i.e. efficiency (input-output relationship) and the economy (public value and impact). From an institutional perspective the effective promotion of good governance is based on a public administrative system that is effective, efficient, responsive in its service delivery mandate, concerned about the impact of services and public value creation, transparent and accountable, competent in its leadership and staff to design and implement policies that are developmental and that has the capability to manage both the public and private sectors, whilst also managing the interface with politicians (political governance).

6.4.5.1.3 Normative dimension of good governance

Iftimoaei (2015:309) describes the normative dimension of good governance, stating that it “comprises principles, values and norms that are guiding the international community or the government in the management of policymaking on different levels of government”. The normative dimension of good governance is highly contested given its focus on principles, ethics, values and norms, which may differ from country to country and from institution to institution. However, Kotzenstein (1996:5, in Iftimoaei, 2015:310) is of the view that this dimension of good governance dictates the “collective expectation for the proper behaviour of actors with a given identity”. However, according to Iftimoaei (2015:310), “good governance has a deeper normative implication which refers to some ethical principles, norms and values”, and defining the “normative dimension of good governance is not an easy task”.

Iftimoaei (2015:310) argues that the normative dimension of good governance indicators is premised on “the classification of key principles of good governance according to four major domains of activity”, namely (1) the international donor community and its institutions²⁷, as comprehensively discussed in Chapter 2 of this dissertation; (2) “public sector represented by government and its branches”; (3) private sector with the world of business and multinational corporations; and (4) “civil

²⁷ “World Bank, International Monetary Fund (IMF), United Nations Development Programme (UNDP) [and the] Organisation for Economic Cooperation and Development (OECD)” (Iftimoaei, 2015).

society with the voices of NGOs, professional associations and interest groups”. Given the applicability of this dissertation, only the normative dimension of good governance indicators for the international donor community and public sector dimension will be highlighted, and set out in Table 6.1 below.

Table 6.1: Normative Dimension of Good Governance

International Donor Community	Public Sector/Government
Legitimacy and voice (public consultation)	Legitimacy and credibility of government/ democratic government
Strategic vision	
Transparency	Ethics and accountability of governmental elites and policy makers
Responsiveness	Respect for human rights and rule of law
Performance (effective and efficient)	Effective and efficient public administration
Accountability	Improving the capacity of the state and responsiveness
Fairness (equity and inclusion)	
Rule of law	Transparency in the decision-making process and eradicating corruption
	Social protection and inclusion of the poor and vulnerable

These elements of good governance, inclusive of its dimensions, have been taken up in the proposed municipal governance and performance model (Malila model), as captured in Figure 6.1 of this dissertation. The Malila model encapsulates the detailed description of the above elements as contained in Chapter 2 of this dissertation, which extensively covers the subject of governance with a focus on good governance.

6.4.5.1.4 Participatory (stakeholder) governance: a proposed 4th dimension of good governance

The proposed governance and performance model in this dissertation proposes to introduce a fourth dimension of good governance in municipalities, namely that of ‘community participation and stakeholder management’ or ‘participatory governance’.

This proposed dimension is underpinned by constitutional requirements and the White Paper on Local Government as it relates to community and stakeholder involvement in the activities of local government.

The concept of stakeholder governance, as part of the new public management approach and network governance, is discussed in detail as part of Chapter 2. In Chapter 2, the researcher highlights that even the World Bank (2018) acknowledges the importance of civil society, voice and participation in the business of local government and highlights that governments must “focus on the variety of other channels that help assure stronger voice and participation by society at large – including the role of civil society organizations in the management of public agencies, the use of public hearings and consultations on proposed laws and regulations, freedom of the press and the diversity of public opinion that is tolerated, both legally and socially, and the activity of independent government watchdog agencies like consumer protection agencies, the media, and independent academic institutions and think tanks”.

According to Sowden, et al. (2011) and the Project Management Institute (2013), a stakeholder can be defined as “an individual, group, or organization, who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project”, which can be either positive or negative. This proposed fourth dimension of good governance suggests appropriate stakeholder management and engagement, integral to participatory governance, and which “creates positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives” aligned with the expectation theory organisational performance model discussed in Chapter 3. “Stakeholder management is a process and control that must be planned and guided by underlying principles” as it will guide municipalities to prepare appropriate strategies using information (or intelligence) gathered during the stakeholder management and engagement processes in formulating policies.

The Association for Project Management (APM) (2018) makes the point that stakeholder engagement, which is a different concept to stakeholder management, “is the practice of influencing a variety of outcomes through consultation, communication, negotiation, compromise, and relationship building”. Stakeholder management is essentially a process defined by the APM (2018) as “the systematic identification,

analysis, planning and implementation of actions designed to engage with stakeholders". Therefore, stakeholder engagement is about 'relationship and influence' whilst stakeholder management is about 'processes and organisation'.

According to the APM (2018), stakeholder management consists of four steps: (1) "identify, recognize and acknowledge stakeholders; (2) determine their influence and interest; (3) establish communication management plan; and (4) influencing and engaging stakeholders". These four steps are supported by ten key principles that underpin successful stakeholder engagement:

- *“Communicate*: To ensure the intended message is understood and the desired response achieved;
- *Consult*, early and often: To get the useful information and ideas, ask questions;
- *Remember*, they are human: Operate with an awareness of human feelings;
- *Plan it*: Time investment and careful planning, this has a significant payoff;
- *Relationship*: Try to engender trust with stakeholders;
- *Simple* but not easy: Show you care. Be empathetic. Listen to stakeholders;
- *Managing risk*: Stakeholders can be treated as risks and opportunities that have probabilities and impact;
- *Compromise*: Compromise across a set of stakeholders' diverging priorities;
- *Understand what is success*: Explore the value of the project to the stakeholder; and
- *Take responsibility*: Project governance is the key to project success".

It is acknowledged in previous chapters of this dissertation that municipalities have multiple stakeholders, including, but not limited to, the community and service users (shareholders), politicians (councillors), employees, suppliers, and so forth. As indicated in the proposed governance and performance model, the citizen is the most important stakeholders for managing a municipality's long-term aim of creating public

value and customer satisfaction through the delivery on the constitutional “objectives of local government” as set out in Section 152 of the Constitution, hence the focus on the citizen, who is placed in the centre of the proposed municipal governance and performance model (Malila model).

Another element included in this dimension is the principle of “active citizenship (or ‘participation’)”, which is particularly important in the South African context given the legacy of the black majority’s exclusion from the right to vote, to own significant economic assets and even to live in cities, except under restrictive conditions. Mass unemployment and the absence of social security for working age adults reinforces the need to increase economic participation and for people to contribute to development by being productive in the labour market and through self-employment and enterprise formation. Political participation is also vital to improve government accountability and responsiveness at all levels, and to counter authoritarian tendencies. Consultation and persuasion are necessary to negotiate socio-economic change and transformation without eroding confidence amongst economic interests and provoking political instability. Chapters 4 and 5 of this dissertation provide an extensive analyses of the legislative and policy requirements to give effect to the objectives of community and stakeholder involvement and participation in local government and how it impacts on local government performance.

In addition to the significance of civil society, voice and participation in the business of local government, this dimension takes it a bit further to include exploring and creating or co-creating appropriate partnering solutions between the community, different spheres of government, non-governmental institutions and the private sector (business) and through following a ‘whole of society approach’ to tackling the many challenges of local government. The ‘whole of society approach’ calls for collaborative action across spheres of government, sectors and community organisations. It is, according to Cloete (2018), “guided by a shared purpose to impact meaningfully on the lives of citizens” and calls for a different way of being and a different way of doing what the Constitution mandates the government” and communities to do and has the potential to enhance the effectiveness of existing and new projects, programmes and coordinating mechanisms between various government role-players, communities and the private sector.

The importance of sharing mandates, i.e. the need to reflect on the ‘shared ownership of mandates’; the joint problem-solving approach across mandated responsibilities and ‘shared learning and joint problem solving’; is key for successful partnering approaches involving the ‘whole of society’. Brand, et al. (2014:63) argues that municipalities must create a citizen-centric approach to governance and makes the point that this requires “a culture shift towards co-creation and collaborative ownership and the need to reflect on high levels of buy-in and the positivity created through a culture of mutual respect, trust, co-creation and collaborative ownership” underpinned by principles of human rights, fairness, social cohesion and citizen-centeredness, i.e. the need to reflect on the foundational principles enshrined in the Constitution, which should guide the collective actions of all role-players.

According to Visagie and Turok (2017:29), strengthening collective action by institutions that cut across different sectors of society and the economy, or ‘partnerships’ is key to ensure developmental and sustainable local government. For various reasons, gleaned from research articles, newspaper articles and public commentary, there appears to be deep suspicion and mistrust between government and the private sector and, therefore, improving relationships and building confidence between all role-players is necessary to negotiate changes that will prove to be durable. Practical collaboration on a wide range of development projects could share the risks and rewards and achieve better outcomes than each sector acting alone.

According to Borraine (2017), the partnership principle also applies to the government’s relationship with civil society. Partnering works more easily if you focus on the issue, not the institutional mandate and Borraine (2017) makes the point that it works when there is ‘skin in the game’. Inter-municipal partnering is possible when it is focused on particular issues of mutual interest and benefit. For partnering to work, it has to involve leaders at multiple levels, i.e. strategic leadership, middle management and operational/technical project managers. Conversely, collaborative processes can be paralysed if institutions only focus on their own mandate and authority. It is acknowledged that there are limits to what can be achieved through policies of redistribution and paternalistic decision-making; however, on the contrary, there are substantial benefits from greater empowerment of communities and involvement of locally-based organisations in policy implementation.

There is much increased involvement of citizens and key stakeholders in public service delivery. Governance International (2019) submits that it is timely to ask citizens and key partners a new question, namely “[w]hat role do they play and are they prepared to play in the design and delivery of those public services which matter most to them?”. In this regard, a new concept has emerged, namely co-production and community governance. Governance International (2019) emphasises that it is about creating partnerships to institutionalise “co-commissioning, co-designing, co-delivering and co-assessing public services and outcomes with service users and local communities with the aim of improving high priority public outcomes through new forms of user and community co-production”. According to Governance International (2019b), some recent publications, most notably “‘Bringing the power of the citizen into local public services’ by Prof. Tony Bovaird and Dr. Elke Loeffler reviews the evidence for user and community co-production”, whilst the publication by Prof. Tony Bovaird called ‘Community Democratic Governance: Evidence Syndissertation and Advice’ “syndissertationes existing evidence from the UK and internationally”.

According to Beaufort West Municipality IDP (2017-2022 IDP) (2017:115), there are various forms of partnering arrangements that could support a municipality in delivering key services, some of which include:

- Transversal partnering (between line-function departments within the municipality and with municipal entities);
- Inter-governmental partnering (between the municipality and other spheres of government, public entities and state-owned companies);
- Cross-boundary partnering (partnerships with other municipalities across municipal boundaries, within a functional region); and
- Cross-sector partnering (partnering with external role-players such as business or civil society).

In conclusion, at the centre of it all and appropriately reflected in the proposed governance and performance model, the focus is on the citizens and the broader community and service users (as clients), which through a developmental process and appropriate intervention by local government in key service delivery issues should

progressively achieve a better life and improved living conditions. This is ultimately the aim of development local government as set out in the 1996 Constitution and the 1998 White Paper on Local Government.

6.5 VALIDATION OF THE MUNICIPAL GOVERNANCE AND PERFORMANCE MODEL (THE MALILA MODEL)

6.5.1 Validation of the Malila Model through Focus Group Discussions

Pursuant to developing and presenting the proposed municipal governance and performance model, and discussing the key elements of the Malila model as depicted in Figure 6.1., the model was subject to a structured process of testing and validation. This was conducted, firstly, by subjecting the model to external assessment by a focus group and, secondly, through structured and semi-structured interviews with key role players with the requisite experience and who are knowledgeable on the subject matter of governance and performance of local government, particularly as part of the municipal case study analysis.

According to Agar and Macdonald (1995, in Bloor, et al., 2001:3), “focus groups are well established in advertising and marketing research and have been successfully adapted to the social sciences, they involve getting a group of people together to discuss their beliefs and practices”, and “[t]he groups are interactive and group members are encouraged by a moderator to talk to one another”. The researcher did not interview the group members, either individually or as a collective, but facilitated the discussion of the focus group. Morgan (1997, cited by Rhodes and Tiernan, 2015:6) submits that the “hallmark of focus groups is the explicit use of group interaction to produce data and insights”. However, according to Krueger (2008:18), “there are no guarantees that a group assembled by researchers will promote participation and discussion on a defined area of interest in a permissive, nonthreatening environment” and, therefore, according to Rhodes and Tiernan (2015:6, citing Morgan, 1997; Krueger, 1998), “it is important to prepare carefully for, structure, and manage focus group interactions”. This is precisely what the researcher did to obtain inputs from the focus group to enrich this study.

6.5.2 Validation of the Malila Model through Interviews with Key Stakeholders and Local Government Specialists

The importance of group interaction and contributions, as well as group member's comments on each other's experiences and opinions in the field of local government and governance is paramount and regarded as a valuable source of illuminating insight into complex issues relating to local government performance. This interactive process assisted in producing the required data for this research. There are both pros and cons to using focus groups (Rhodes and Tiernan, 2015). The comments, contributions and interactions flowing from the focus group session have been documented, an approach that Bloor, et al. (2001:3) "consider the most rigorous analytical strategy for focus group research". A list of the members of the focus group and their redacted curriculum vitae, demonstrating the applicability of their experience on the subject matter, is attached as Annexure 8 to this dissertation.

The interview process consists of structured and semi-structured interviews as a method for data collection. One researcher in Rhodes and Tiernan (2015:18) is of the view that focus groups may be somehow inferior, remarking that "I think people tell you a lot more in interviews than probably they tell you in the focus group setting". Rhodes and Tiernan (2015) disagree with this view, but the current research is of the view that data from focus groups can be supplemented by interviews, allowing a golden opportunity to corroborate findings across the two methods and audiences.

The key role-players that were interviewed were chosen based on the applicability of their own experience and knowledge of the subject matter and respective governance areas. They were selected based on their ability to contribute their understanding and application of the four dimensions of good governance and their input on the extent to which these dimensions contribute to municipal performance. The interviewees include some of key role-players under the different areas, as depicted in Table 6.2, particularly as they relate to the choice of municipalities included in the sample.

Table 6.2: Interview groups for each dimension of good governance

Dimensions of Good Governance	Interview Groups
Normative dimension	Municipal managers; mayors; oversight institutions (NT, PT, COGTA, DLG); and subject experts
Technical/institutional dimension	Municipal managers; CFOs/technical heads; mayors; oversight institutions (NT, PT, COGTA, DLG and AGSA)
Political dimension	Chairpersons of the Standing Committee on Local Government and Finance; MEC Finance; MEC Local Government; mayors; municipal managers; oversight institutions (NT, PT, COGTA, DLG and AGSA); SALGA
Participatory/stakeholder dimension	Municipal managers; mayors; business chambers/stakeholders; WC-EDP; community leaders; oversight institutions (NT, PT, DCoGTA, DLG and AGSA); SALGA

In addition, prior to conducting the interviews the researcher constructed a desktop analysis of at least four chosen municipalities in the province of the Western Cape. The choice of municipalities includes the following categories:

- A municipality that demonstrated consistently good organisational performance;
- A municipality that has demonstrated consistently poor or sub-optimal organisational performance;
- A municipality that initially demonstrated poor performance, but has been able to progressively turn things around (improved/getting on the right path); and
- A municipality that consistently demonstrated good performance, but has recently shown some signs of regress.

The desktop analysis and probing during the interviewee process has, where practical and where the information was publicly available, covered the periods between 2009/10 until 2017/18, primarily focusing on the four key areas (dimensions of good governance) and analysing their impact and possible relationship with municipal

performance. The data sources that were used to conduct the desktop analysis include publicly available information reflecting performance information, such as the IDPs; SDBIPs; assessments from the NT, PT, DCoGTA and DLG; AGSA audit outcomes; StatsSA basic services performance information and various reports, assessments by agencies such as Ratings Afrika and Municipal-IQ; as well as newspapers articles and reports.

The outcomes of the desktop assessments, interviews and inputs from the reference group have been captured and utilised to validate the proposed model. Where appropriate, some of the proposed interviewees have been collectively utilised as a 'separate reference group' and source of information to aid the external validation of the proposed model. Amendments to the proposed Malila model have been made where required, pursuant to the external validation process utilising inputs, comments and contributions of the focus group.

6.5.3 Key Findings and Recommendations from the Focus Group and Interviews with Local Government Specialists

The recommendations for improvement to the Malila model and responses from both the focus group and interviews with key stakeholders and subject specific specialists (i.e. in local government, municipal performance and governance) have been considered and utilised to enhance the model and to improve the recommendations and conclusions, as set out in Chapter 7 of this dissertation.

The following key points and recommendations informed the final construction of, and improvements to, the municipal governance and performance model (Malila model) in local government:

- The internal and external factors that resulted in the governance failures needed to be clarified and expanded upon, as successes and failures can be multi-factorial;
- Political and administrative interface and linkages must be highlighted, including role clarification and differentiation between the respective accountability chains;

- Strengthen the connection and respective roles of state-owned enterprises, business and private sector, as part of the influencers from the 'external environment';
- The risk of a one-size-fits-all approach, given that wall-to-wall municipalities, irrespective of capacity, have all been given the same type of powers and functions. The model considers a differentiated approach to governance and performance sustainability;
- A municipality is a set of prevalent relationships and in practice local government is stuck on structures. Typically, when failures occur the following happens, which should be considered or catered for in the model:
 - Community *blames* the political structures
 - Political structure *blames* the administration
 - Administration *blames* the political structure;
- Good governance must not be reduced to compliance or as being conducted for the AGSA. It should be targeted towards 'governance for delivery' and, given the increased demand for compliance, the accountability upwards to council and AGSA has reduced accountability at lower levels of the institution. A compliance-driven approach erodes the developmental role of local government;
- Participatory governance as a dimension and a 'new' focus in the model was deemed appropriate and relevant, given the need for improved stakeholder participation and co-creation. There is a desperate need to build communities' confidence in the future, and provide them with hope and trust in the public sector. Innovative initiatives to engage citizens more strategically via social media should be a consideration;
- Measurement of the social contract between citizens and the municipality must come through in the model;
- Problem-driven iterative approach: the model could use this to demonstrate how the 'top down' and 'bottom up' relationship will be managed, as well as how small municipalities failing in this versus municipalities waiting on government to do this for them, will be accommodated in the model; and

- The local government legislation mandate is too broad, there is some scope creep across the spheres and the model must consider the various local governance systems and stability at political and institutional levels.

6.5.4 Methodology for Choosing Specific Municipalities to be Included in the Sample and Utilised in the Case Studies

For practical reasons, the four sample municipalities conforming to the sampling criteria as set out above will be drawn from the 30 municipalities in the province of the Western Cape. The Western Cape province (the Province), according to the 2019 Provincial Economic Review and Outlook (PERO) and the 2019 Municipal Economic Review and Outlook (MERO) is the fourth largest of the nine provinces, with an area of 129 462 square kilometres (or 49 986 sq. miles²⁸), and the third most populated, with an estimated 6.844 million²⁹ inhabitants in 2019 (StatsSA, 2014). There is one metro municipality (category A), 24 local municipalities (category B), and five district municipalities (category C), spread across the province. The various municipalities in the province can be categorised into urban, semi-urban, semi-rural and rural and therefore the researcher was comfortable selecting a sample of four municipalities, based on set criteria, sampled from the total population of 30 municipalities. This is in accordance with the dimensions of the good governance and performance framework and model.

As indicated earlier in this chapter, there are a number of institutions that have conducted assessments aimed at categorising municipal performance using a range of different criteria to determine if a municipality is performing or not. The aim of this dissertation is not to assess the criteria used by these institutions or to express a view on their findings. Those assessments are rather used as a basis to identify the four (4) municipalities that best suit the categorisation of municipalities as set out in section 6.5.2 above, from which the sampling was done.

²⁸ 1 square kilometre = 0.386 square miles (the area value is divided by 2.59).

²⁹ 2019 StatsSA mid-year population estimates, referenced in 2019 PERO and MERO.

Based on an analysis by the researcher, initially several lists such as the financially distressed list of the National Treasury, the list of disclaimer and adverse opinions from the Auditor-General (AGSA), the list of dysfunctional municipalities according to the DCoGTA, the Municipal Infrastructure Support Agent's (MISA) MIG underperformance list, the DCoGTA's B2B list, simplified revenue intervention list and the list of defaulters to bulk creditors, were used to determine and inform the common list that was used as a basis of assessment in the latest State of Local Government Report and Financial Management (SoLGR&FM) released in May 2018. The joint decision between the National Treasury and DCoGTA, as the two key departments responsible for local government monitoring and oversight, was that the basis for the common list will be dominated by municipalities that have defaulted on service delivery, are financially distressed (for example adopted unfunded budgets or deficits) and those experience major governance failures.

The National Treasury, in the 2016/17 SoLGR&FM (2018:8) report uses eight (8) key financial indicators³⁰ as a basis to comprehensively discuss the financial health and financial performance of all 257 of the country's municipalities and provides information as "an initial indication of which municipalities may be approaching 'financial crisis'".

The DCoGTA uses twenty-five (25) indicators within five (5)³¹ main areas to assess progress and challenges in municipalities. The latest report on the state of local government service delivery performance in South Africa as at June 2016, was issued in October 2017. It was compiled by the DCoGTA and the National Treasury, mainly from service delivery performance information released by Statistics SA (StatsSA) showing local government performance in delivering basic services between 2011 and 2016 and focusses on issues of service delivery, governance, legislative compliance, implementation challenges, as well as support initiatives and their impact. The 2016 DCoGTA report also provides a ranking by both the DCoGTA (B2B classification in February 2015) and the provincial DCoGTA (reclassification in 2016) for the different

³⁰ (1) Cash as a percentage of operating expenditure; (2) Persistence of negative cash balances; (3) Overspending of original operating budgets; (4) Underspending of original capital budgets; (5) Debtors as a percentage of own revenue; (6) Year-on-year growth in debtors; (7) Creditors as a percentage of cash investments; and (8) Reliance on national and provincial government transfers".

³¹ (1) Demographic indicators; (2) governance indicators; (3) service delivery indicators; (4) financial management indicators; and (5) institutional capabilities' indicators.

municipalities using a scale of (1) municipalities doing well, being the best position; (2) potential to do well; (3) not doing well; and (4) dysfunctional.

In the SA Local Government Briefing of May (2018:7), the Cooperative Governance Minister, Zweli Mkhize, indicated that 87, or approximately 31%, of the country's municipalities are 'dysfunctional or distressed' and that only 7% of the country's municipalities are classified as well-functioning. In the Western Cape municipalities, Kannaland is the only municipality assessed by the provincial DCoGTA as not doing well. The national DCoGTA classified Kannaland, together with some others in the province, as dysfunctional. Oudtshoorn, classified as dysfunctional in 2015, has made the substantial progress of two categories to being classified as having the 'potential to do well'. Most municipalities in the Western Cape province have been categorised as 'doing well'.

The Auditor-General (AGSA) releases the consolidated audit outcomes of municipalities in South Africa on an annual basis (AGSA, n.d.). The AGSA, in the local government audit outcome reports for 2016/17 released in May 2018, highlights the fact that, notwithstanding the many support initiatives, municipal audit outcomes have overall shown very little improvement and in some areas even regressed. In its latest 2018/19 report, released in June 2019, the AGSA emphasises that not much has changed and that "accountability for financial and performance management continues to deteriorate". The audit opinion for municipalities from the AGSA can either be classified as (1) an unqualified audit with no findings (clean audit), this being the best outcome; (2) an unqualified audit with findings; (3) a qualified audit; and (4) a disclaimer, being the worse. The table below sets out the meaning of each type of audit outcome classification.

Table 6.2: Classification of the different kinds of audit opinions by the AGSA

Unqualified Opinion: No Findings	The Auditor-General can state, without reservation, that the financial statements of the municipality fairly represent the financial position of the municipality and are in line with Generally Recognised Accounting Practices (GRAP).
Unqualified Opinion: Emphasis of Matter Items	Same as an unqualified opinion with no findings, but the Auditor-General wants to bring something particular to the attention of the reader.
Qualified Opinion	The Auditor-General expresses reservations about the fair presentation of the financial statements. There is some departure from the Generally Recognised Accounting Practices (GRAP) but it is not sufficiently serious as to warrant an adverse opinion or disclaimer of opinion.
Adverse Opinion	This is expressed when the auditor concludes that the annual financial statements do not present the municipality's financial position, results of operations and cash flows in line with Generally Recognised Accounting Practices (GRAP).
Disclaimer of Opinion	The Auditor-General does not have all of the underlying documentation needed to determine an opinion. For example, the lack of underlying documentation and the amounts in question may be so great so that it is impossible to give any opinion.
An Outstanding Opinion	The Auditor-General raised queries with the municipality and therefore has not submitted another opinion.

Source: www.municipalmoney.gov.za (2018).

A good audit outcome cannot be equated to, or assumed to demonstrate, performance and delivery on constitutionally required service delivery obligations. Nonetheless, it provides a good indication of the state of governance and conformance to laws and regulations and adherence to the constitutional and good governance principle of the rule of law. The provincial municipal audit outcomes between 2009/10 and 2017/18 (nine-year period) will be used as key inputs in determining the sample municipalities in accordance with the four stated principles. An analysis of the outcomes over this period demonstrates generally good progress, with most municipalities either receiving an 'unqualified opinion: no findings' (clean) audit outcome or an 'unqualified opinion: emphasis of matters items', except for municipalities like Kannaland and Oudtshoorn, who have, notwithstanding substantial investment by particularly provincial government, been stubbornly stuck in not being able to improve their audit

outcomes. Since 2009/10 to date, neither of the two municipalities were able to receive a 'clean audit' from the AGSA. Aside from Prince Albert municipality, this status is shared by all municipalities in the Central-Karoo.

In the case of Kannaland municipality, over the nine-year period between 2009/10 to 2017/18 the municipality received five disclaimer or adverse reports, one qualified report and three unqualified reports, but with major audit findings of non-compliance. In many cases over the year, the financial statements were not submitted to the AGSA within the legislative timelines. Kannaland municipality, from an audit outcome perspective in comparison with the other 29 municipalities in the province, is regarded as the worst performer in the province. Kannaland municipality received four disclaimer or adverse opinions in a row between 2009/10 and 2012/13, followed by two unqualified reports in 2013/14 and 2015/16, regressing to a disclaimer in 2015/16 and marginally improving to receive a qualified opinion in 2016/17 and an unqualified report in 2017/18, but only after submitting financial statements long after the due date and the audit being completed more than eight months after the due date. Notwithstanding the unqualified report for 2017/18, many issues of financial irregularities and mismanagement and findings of non-compliance with financial and legal prescripts and regulations continue to exist in Kannaland municipality. The municipality is currently under Section 139 of the Constitution and the MFMA intervention, a process that has existed since 2016 with very little progress. Both the Provincial Treasury and the Department of Local Government confirm that "notwithstanding substantial financial and administrative capacity support in Kannaland municipality, progress with the provincial intervention in Kannaland has been extremely slow, with most intervention targets either being missed or the rate of implementation is below optimal". Kannaland municipality, in terms of the researcher's decision matrix, is regarded as 'a municipality that has demonstrated consistently poor or sub-optimal organisational performance' over the period.

Oudtshoorn municipality performed marginally better than Kannaland municipality over the nine-year period (2009/10 to 2017/18), receiving three disclaimer or adverse reports, three qualified reports and three unqualified reports, but with major audit findings of non-compliance over the period. Oudtshoorn municipality was able to obtain an unqualified report for three years in a row for 2011/12, 2012/13 and 2013/14, followed by a disclaimer or adverse audit opinion in 2014/15 and only after serious

interventions in the municipality, particularly post the 2016 local government elections, due to allegations of financial and administrative management. The municipality showed some improvement, moving from a disclaimer or adverse opinion in 2014/15 to three consecutive qualified audit opinions in 2015/16, 2016/17 and 2017/18. The municipality received an award from the AGSA in 2018 for making the best progress amongst all municipalities in the province over a sustained period of time.

Oudtshoorn municipality, like Kannaland municipality, was also under Section 139 of the Constitution and the MFMA intervention pre the 2016 local government elections. Notwithstanding, Oudtshoorn has recently, particular pursuant to the 2016 local government elections and with extensive support from provincial government, demonstrated the required commitment from the municipal council and management to turn things around. Given all the efforts, the provincial executive council (Cabinet) also decided to suspend Section 139 of the Constitution intervention in Oudtshoorn municipality. Oudtshoorn municipality, in terms of the researcher's decision matrix, is regarded as a municipality that has demonstrated poor performance initially, but has been able to progressively turn things around (improved/getting on the right path) over the period.

In assessing the performance of all the category B and C municipalities, it was found that Swartland municipality and the West Coast District have been the first category B and category C municipalities in the province respectively to have been awarded a 'clean audit' status by the AGSA, i.e. an 'unqualified opinion: no findings'. Both have been able to maintain this status for seven years consecutively until 2016/17. During the 2016/17 audit process, Swartland municipality has not received a single 'communication of audit finding (COMAF)' from the AGSA – this makes it the first of its kind in the entire South Africa, as far as the researcher could determine. In 2017/18, Swartland municipality received an 'unqualified audit opinion: with findings' on a matter of non-compliance. The municipality has taken the matter on legal review. For the 2017/18 financial year, the municipality has zero irregular expenditure and an immaterial amount of fruitless and wasteful expenditure. Swartland municipality, in terms of the researcher's decision matrix, is regarded as 'a municipality that has demonstrated consistently good organisational performance' over the period.

The City of Cape Town metropolitan municipality (the City) has had a consistently good performance and is the first metropolitan municipality in the country to receive a 'clean audit'. It boasts no less than four consecutive clean audits between 2012/13 and 2015/16, but has shown consecutive regressions in audit outcomes in 2016/17 and 2017/8. Although the City is regarded and respected as a municipality that has generally done well financially and administratively over an extended period of time, gleaned from many newspaper reports, legal papers and audit reports from AGSA, it appears that it has recently experienced some major political and institutional governance challenges, with some of the governance lapses resulting in the City losing their 'clean audit status' in 2016/17 and 2017/18. There is wide speculation, based on recent media reports in the local newspapers, presentations by local specialist and the national Treasury, concerning some of the political governance lapses and internal party political battles within the ruling party at the City. These internal party political differences have also impacted on the effectiveness and efficiency of the administration, which possibly contributed to the resignation of the previous City Manager in early 2018, amidst reports on News24 (2018) that he was "facing possible suspension in the fallout involving [the] mayor". At the time of his resignation, the City Manager was the longest serving metropolitan municipal manager in the country and someone who served local government and the City with distinction for close to 40 years, 12 of those as the City Manager of Cape Town. The City of Cape Town metropolitan municipality, in terms of the researcher's decision matrix, is regarded as 'a municipality that has consistently demonstrated good performance, but has recently shown some signs of regress'.

Both the April 2018 (no. 04/2018) and May 2018 (no. 05/2018) SA Local Government Briefing publications provide extensive public detail on current issues plaguing the City of Cape Town, both politically and administratively. The evidence suggests that it is unavoidable for these issues to impact on the administration of the City, given the administrative-political interface requirements, particularly at metros. In addition, one of the biggest sustainability risks of the City of Cape Town was to carefully manage the water crisis in 2017 and 2018 and to limit the potential negative impact of the water resource crisis on the city's residents and businesses. Effective management of the water crisis (drought) requires an extensive amount of resilience on the side of the administration and the executive and calls for a much more integrated approach

between the City (politicians and administrators) and key stakeholders, which in many respects was non-existent at the time, given the political and administrative in-fighting and public disagreements at the City.

Some external institutions utilising their own assessment criteria, such as Ratings Afrika and Municipal IQ, also release information on the best and worst performing municipalities in South Africa on an annual basis. The indicators and criteria used by these agencies dovetails and in most cases even overlaps, or they use the same criteria utilised by the National Treasury, DCoGTA and AGSA. Municipal IQ, as a Municipal Compliance and Governance Index (CGI) weighs up basic municipal compliance with legislative processes with governance outcomes. The scores reflect whether a municipality has met the basic legislated requirements, such as submitting an IDP, the latest AGSA audit opinion, as well as the accuracy and outcomes of financial planning, capacity and leadership levels. Using these measures, Swartland municipality was the top scorer with 98.1%.

According to Ratings Afrika (2013), the organisation of Ratings Afrika “is a ratings agency that specialises in ratings and similar opinions gauging the soundness of governance in” municipalities. According to Compareguru (2018), “[t]he Good Governance Africa ranks 213 local municipalities from best to worst” based on how they have performed across three main areas: quality of administration, economic development, and service delivery, whilst “[t]he Government Performance Index assesses whether a municipality has an adequate amount of skilled personnel to manage the area, and how well it delivers on services such as sanitation, water, electricity, waste removal, policing, housing, healthcare and education”, in addition it also “looks at financial management and reporting”. Swartland municipality, was in 3rd place for this index in 2018.

Ratings Afrika uses the Municipal Financial Sustainability Index (MFSI), which “is a scoring model that evaluates the operating performance, liabilities management, budget practices and liquidity position” of a sample of the 100 largest local municipalities and the eight metropolitan municipalities and scores these components out of 100. According to the Midvaal Local Municipality (2019), Ratings Afrika defines financial sustainability as “[t]he financial ability to deliver services, develop and maintain the infrastructure required by its residents without unplanned increases in

rates and taxes or a reduction in the level of services, and the capacity to absorb financial shocks caused by natural, economic and other adversities without external financial assistance”, which is more or less aligned to the financial health assessment conducted by the National Treasury.

Compareguru (2018) submits that the latest South African Customer Satisfaction Index, which “measures citizen satisfaction and trust in service delivery across eight metropolitan municipalities has revealed that South Africans just don’t trust metropolitan municipalities anymore, and find most to be dangerously incompetent”. Although the City of Cape Town has emerged as the clear best of the eight metropolitan municipalities for the sixth consecutive year, at least in terms of overall citizen satisfaction, “the results revealed that trust in municipal service delivery is currently the lowest that it has been since the inception of the index in 2014. Every single metro rating is in decline”. The municipal performance ratings by these respective ratings institutions have, with a few exceptions, received wide acknowledgement and acceptance by municipalities as a credible and objective rating measurement for municipal performance.

According to the SA Local Government Briefing of April (2018:2), the MFSI report for 2016/17 reveals shocking results and the magnitude of the financial trouble in which most of the municipalities find themselves. The Western Cape’s average MFSI score of 62 makes them the highest scoring province and also the one that has improved the most over the last five years, from 47 in 2013 to 62 in 2017. It is the only province whose governance practices are considered sound. According to Ratings Afrika (2018), Mossel Bay municipality and Swartland municipality are jointly the best scoring municipalities for 2017, each with a score of 84. Swartland municipality in particular has made a great effort to strengthen its sustainability, improving its score from 61 in 2013 to 84 in 2017, to become one of the leading municipalities in South Africa. On the contrary, Kannaland is the municipality with the lowest MFSI score of 25, demonstrating major financial and governance concerns. The highest scoring metro according to Ratings Africa using the MFSI, is the City of Cape Town, which has shown sound improvement over the last five years from 59 to 74 in 2017.

From a financial perspective, based on the 2016/17 SoLG&FM report published on 22 May 2018, Kannaland, followed by Oudtshoorn and Beaufort West, are regarded as

the worst performing municipalities, with Swartland and Overstrand receiving an assessment of being the best local municipalities in the province. On the persistent 'distress list', which measured the consolidated audit outcomes in 2015/16, as well as interventions, vacancies, financial and governance performance, both Kannaland and Beaufort West are again featured, with the only difference being that Kannaland received a worse audit opinion (disclaimer) for that year in comparison to Beaufort West and Oudtshoorn, who both received qualified audit opinions. Comparing the audit outcomes over the nine-year period (2009/10 to 2017/18)³², Kannaland municipality by far performed worst in this category, followed by Oudtshoorn, who, as earlier indicated, was initially disclaimed in 2014/15 and which, under a Section 139 constitutional provincial intervention for most of 2015/16, managed to turn things around and receive qualified audit reports for 2015/16, 2016/17 and 2017/18.

In summary, given the methodology described, the municipalities that will be included in the sample are as follows:

- **Swartland municipality:** a municipality that has demonstrated consistently good organisational performance;
- **Kannaland municipality:** a municipality that has demonstrated consistently poor or sub-optimal organisational performance;
- **Oudtshoorn municipality:** a municipality that has demonstrated poor performance initially, but has been able to progressively turn things around (improved/getting on the right path); and
- **City of Cape Town Metropolitan Municipality:** a municipality that has consistently demonstrated good performance, but has recently shown some signs of regress.

³² See Annexure 1A demonstrating the audit outcomes over the nine years between 2009/10 and 2017/18.

6.5.5 Key Observations and Findings from the Desktop Analysis, Case Studies and the Interview Process of Municipalities Included in the Sample

According to the Socio-Economic Profile: City of Cape Town (2017:15) (SEP-LG), constitutionally required basic service delivery information includes “services such as potable water, basic sanitation, safe energy sources and refuse removal services, to ensure that households enjoy a decent standard of living”. These will be reflected on in this section for each of the municipalities that form part of the sample. This section will mainly cover the period between the 2011 Census and 2016 Community Survey and other relevant more recent data to demonstrate the incremental progress that municipalities have made in realising or working towards the goals and objects of the NDP. The information is taken from, amongst others, the respective IDPs, the socio-economic profiles, the StatsSA service delivery progress report, annually published budgets and IDP reviews, and annual AGSA reports. For each municipality in the sample population, progress and performance will be assessed against the following standards for basic service delivery, as espoused in the 2017 SEP-LG (2017:15-18) for each of the Municipalities in the sample and as set out in Annexure 7A:

- For housing: the number of “households with access to a formal dwelling”;
- For potable water: “the number of households with access to piped water inside the dwelling or yard or within 200 metres from the yard”;
- For sanitation: the number of “households with access to a flush toilet connected to the sewerage system”;
- For electricity: the number of “households with access to electricity as the primary source of lighting”; and
- For “refuse removal: the number of households who have waste removed by local authorities at least weekly”.

Key observations and findings also include information and analysis flowing from the interview process with key stakeholders at the respective municipalities. The main aim is to establish to what extent governance factors have contributed or not to the performance of a particular municipality.

6.5.5.1 Swartland municipality ('Swartland')

Swartland municipality, based on the criteria applied by the researcher and as outlined earlier in the chapter, has been identified as a municipality that has demonstrated '*consistently good organisational performance*' over a sustained period of time, in this case for a period spanning at least three political terms of office (2009 to 2018). Swartland is classified as a category B1 local municipality. Swartland municipality at a glance, as reflected in the SEP-LG 2017, is depicted in Annexure 7B of this dissertation.

According to the 2017 SEP-LG (2017:15) for Swartland municipality, the "number of formal dwellings in Swartland increased by 10 374 between 2011 and 2016, at an average annual rate of 6.8 per cent, which translates into approximately 2 075 additional formal dwellings per year over this period". This increase in formal dwellings was greater than the additional total households annually, resulting in an increasing proportion of households to a formal dwelling from 90.9 per cent in 2011 to 94.6 per cent in 2016. The 2017 SEP-LG (2017:17a) for Swartland finds that, although Swartland municipality "experienced an annual increase of households with access to piped water (to within 200 metres of the yard) of approximately 1 428 households per annum between 2011 and 2016, the proportion of households with access declined over this period from 99.5 per cent in 2011 to 92.8 per cent in 2016". The municipality was able to provide an additional 1 428 households or 4.5 per cent more with access to potable pipe water. However, according to Swartland municipality, all urban households have access to piped water. The provision of basic services to farming communities remains a major challenge and affects the outcome of these type of community surveys conducted by StatsSA.

According to the Stats SA Community Survey (2018) and the 2017 SEP-LG (2017:17), Swartland municipality "experienced significant progress in household access to sanitation services with the proportion of households with access to acceptable standards increasing from 91.0 per cent in 2011 to 96.2 per cent in 2016" and "was able to provide an additional 2 196 households with access annually; access growing at an average annual rate of 7.1 per cent". The annual growth of 1 965 households being given access to electricity kept pace with the total household growth of 1 963 on average per annum. This resulted in an increase in the proportion of households with

access to electricity, increasing from 97.8 per cent in 2011 to 98.4 per cent in 2016. The 2017 SEP-LG (2017:18) for Swartland highlights that “[h]ousehold access to refuse removal services in Swartland has increased from 76.1 per cent in 2011 to 83.5 per cent in 2016; household access to this service increasing faster (additional 2 069 households annually) than the growth in formal households (1 963 annually)”. The municipality indicates that all households for which it is responsible for providing this service, i.e. all urban households, receive a weekly refuse removal service.

The 2017-2022 IDP for Swartland provides the strategic direction for all activities of the municipality over the period covering current council's term of office. It takes into consideration the integration of social, economic and environmental concerns of the municipal area through an evidence-based approach, which includes “an analysis of environmental and socio-economic issues, the formulation of strategic development objectives, and the development of assessment and prioritisation criteria, the setting of indicators, targets and performance assessment”. The vision of Swartland municipality encompasses the five most important focus areas of local government as set out in the legislation and proposed in the performance and governance model. The strategic objectives of the municipality are also aligned to the national and provincial priorities, supported by the relevant legislation linked to these objectives, making it easier to create the required partnering arrangements with various stakeholders, internal and external to the municipality.

From a financial governance and performance perspective, most of the key financial indicators and ratios assessed by the national and provincial treasuries for Swartland municipality have shown progressive improvement between 2010 and 2016. In this regard, Swartland municipality has a healthy financial state of affairs and has also received the highest possible audit outcome for seven years in a row.

In aiming to define key reasons for the sustained success of Swartland municipality, at least over the last decade, interviews were conducted with the mayor, municipal manager and the senior management team of Swartland, as well as officials at national and provincial treasuries, the DCoGTA and from the provincial Department of Local Government. These responses were captured and documented and below are some of the key reasons advanced for their success, noting that both the Municipal Manager and current ruling political party have occupied their seats of ‘power’ for over a decade.

Table 6.3: Swartland Municipality: Interview summary and key points

Governance Dimension	Some Key Success Factors
Political Dimension	<p>Political stability, coherence, credibility and respect.</p> <p>Same political party for almost two decades, with an overall political majority (limited party political risk).</p> <p>Strong sense of political transparency, accountability, integrity and will.</p> <p>Political/administrative interface is excellent with clear lines of accountability with no interference (respect for structure of government).</p> <p>Good governance.</p>
Normative Dimension	<p>Respect for the rule of law.</p> <p>Bill of Rights principles enshrined in all policy documents, IDP and budget.</p> <p>Policy choices are evidence-based, supported by research, e.g. SEP-LGs, MEROs and own internal research.</p> <p>Clear separation of powers between the executive, the administration and communities.</p> <p>Transparency, responsiveness and accountability is embedded in all activities.</p>
Technical Dimension	<p>Leadership stability and continuity with most senior staff serving for more than a decade.</p> <p>Visionary, ethical and value-driven leadership philosophy, with high levels of integrity, trust and honesty.</p> <p>Strong sense of performance management throughout Swartland with the MM leading from the front and being a stickler for quality and delivery.</p> <p>Strong institutional structures supported by high levels of strategic and technical skills, competence and capacity throughout Swartland.</p> <p>Main focus is on people, institutions, public services and the economy.</p> <p>Processes and systems are integrated and institutionalised.</p>
Participatory Governance Dimension	<p>Strong sense and acknowledgment of the role of civil society (for example, communities, NGOs and business) in co-creating and co-implementation.</p> <p>Innovative processes around stakeholder participation and partnering.</p> <p>Strong visions and mission statement, with the focus on the citizen.</p>

	<p>High levels of public trust and responsiveness by the politicians and administration.</p> <p>Strong support for effective IGR and applying the principles of 'whole-of-government' and 'whole-of-society' approaches.</p>
Foundation that Keeps Everything Together ('the magic')	<p>6 'C's:</p> <p>Communication</p> <p>Creative way in dealing with challenges (embrace the opportunity)</p> <p>Cultural diversity is embraced</p> <p>Connectivity to the world through ICT as an enabler</p> <p>Community cohesion</p> <p>Capacity – there are technical skills and ability</p> <p>Service delivery: radical, urgency, absolute commitment and economic growth.</p>
Biggest Risks for Swartland	<p>Changes in the political and institutional landscape, creating instability, continuity and political and institutional succession.</p> <p>Current negative economic environment and fiscal framework, urbanisation and population shifts coupled with increased demand for public services (increased service level expectations).</p> <p>Ageing infrastructure, increased demand for housing, jobs and increased service delivery protests.</p> <p>Institutional capacity, the increased regulatory cost of good governance, role of oversight institutions and support, and failures in effective co-operative governance.</p> <p>Deterioration of public trust, given inability to be responsive to the rising demand of citizens for basic service needs.</p>

In summary, the municipality is of the view that there is a direct link and (inter)relationship between good governance and performance, with the municipal manager stating: governance and performance is like a 'chicken and egg' situation, good governance lays the basis for performance, good governance leads to improved performance and service delivery and therefore, the two cannot be delinked.

6.5.5.2 Kannaland municipality ('Kannaland')

Based on the criteria applied by the researcher and as outlined earlier in the chapter, Kannaland municipality has been identified as a municipality that has demonstrated '*consistently poor or sub-optimal organisational performance*' over a long period of time, in this case for a period stretching over at least three political terms of office (2009 to 2018). Kannaland is classified as a category B3³³ local municipality. Kannaland municipality, as reflected in the SEP-LG 2017 for Kannaland, is depicted in Annexure 7C of this dissertation.

According to the 2017 SEP-LG (2017:15) for Kannaland municipality, "[a]ccess to formal housing and services in Kannaland is measured against a total number of households of 6 212 in 2011 and 6 333 in 2016" and, therefore, Kannaland "experienced a lower growth rate in the number of households from 2011 to 2016" when compared to the Garden Route (previously Eden) district. It has a small population, an economy of just over R800 million in 2016 and the per capita income of the municipal area was estimated at R32 995 in 2015, which was almost half that of the Western Cape province (R63 925).

The number of formal dwellings in Kannaland, as submitted by the SEP-LG (2017:16), increased by 187 units between 2011 and 2016 (from 6 212 in 2011 to 6 333 in 2016, i.e. a mere 37 "additional formal dwellings per year over this period"), or at an average annual rate of 0.6 per cent, which is far lower than the 2.9 per cent annual average increase in the number of households in the Eden region. The 2017 SEP-LG (2017:17a) for Kannaland finds that the increase in formal dwellings in Kannaland municipality "resulted in the proportion of formal households increasing from 96.3 per cent in 2011 to 97.4 per cent in 2016 ... [t]he proportion of households with access to water declined over this period from 95.8 per cent in 2011 to 93.6 per cent in 2016" and, as a result, the "access to piped water was unable to keep pace with the growth in the total number of households".

³³ National Treasury (2011:193). LGBER. Small towns (B3): "characterised by no large town as a core urban settlement, typically have a relatively small population, mostly urban and based in few small towns ... rural areas are characterised by the presence of commercial farms". (National Treasury of South Africa).

According to the 2017 SEP-LG (2017:17), Kannaland experienced good “progress in household access to sanitation services with the proportion of households with access increasing from 74.6 per cent in 2011 to 85.7 per cent in 2016” and, given the focus of increasing the access levels to humane sanitation services, “[t]he municipality was able to provide an additional 158 households with access annually; access growing at an average annual rate of 3.2 per cent”. Similarly, Kannaland municipality experienced good progress in providing household access to electricity with the proportion of households with access increasing from 89.7 per cent in 2011 to 93 per cent in 2016. Kannaland municipality was able to provide an additional 64 households with access annually. Kannaland experienced significant progress, although from a low base, in household access to refuse removal with the proportion of households with access increasing from 66.1 per cent in 2011 to 79.2 per cent in 2016. The municipality was able to provide an additional 182 households with access annually.

Whilst it is acknowledged that some progress has been made by the municipality in delivering basic services, they fall significantly short on the average service delivery standards and progress made over the same period within the Eden Region in all areas of services. From a governance perspective this municipality has experienced major governance breakdowns in almost all disciplines or dimensions of good governance over the nine-year period between 2009/10 and 2017/18. Major shortcomings have been highlighted by provincial oversight institutions, particularly in implementing the basics of being a functional municipality, particularly around the general level of compliance with the preparation, associated processes and submission of the IDP, annual budgets, SDBIPs and annual reports and lack of conformance to general financial management matters.

Although the 2017-2022 IDP for Kannaland is supposed to provide the strategic direction for all activities of the municipality over the period covering current council's term of office and should take into consideration the integration of social, economic and environmental concerns of the municipal area through an evidence-based approach, which includes “an analysis of environmental and socio-economic issues, the formulation of strategic development objectives, and the development of assessment and prioritisation criteria, the setting of indicators, targets and performance assessment”, major shortcomings have been identified in most areas of the IDP of Kannaland. This makes it very difficult for the municipality to prepare

responsive budgets linked to the IDP, budgets and plans. Intergovernmental and cross-border partnering arrangements, particularly within the wider Garden Route District, are non-existent or sub-optimal at best.

From a financial governance and performance perspective, most of the key financial indicators and ratios assessed by the national and provincial treasuries and other institutional performance measures (political and administrative) for Kannaland municipality have shown major shortcomings between 2009 and 2018. Kannaland, which was initially identified as a Project Consolidate³⁴ municipality in 2009, has been the subject of no less than two provincial executive interventions in terms of Section 139 of the Constitution and the MFMA, for, amongst others, failing to fulfil its executive responsibilities, financial failures and irregularities and many other institutional breakdowns. This has resulted in a failure to perform its basic constitutionally obligated services and functions. Over the period, the relevant provincial portfolio committee responsible for local government matters in the Province had to on many occasions summons Kannaland municipality (the mayor, council and administration) to account to provincial legislature on major financial and institutional governance lapses.

From a financial perspective, the financial health of Kannaland municipality can be regarded as 'being in crisis'. This has been the situation in Kannaland over most of the entire period. Key indicators of this crisis include tabling unfunded budgets, poor cash flow management, liquidity ratios well below the norm, overspending of budgets, under-collection of revenue, no proper internal controls and procedures relating to supply chain management (SCM), financial accountability and reporting is poor, financial irregularities being the order of the day, as well as growing concern/financial sustainability uncertainties. These lapses have been evident in most of the annual audit reports of the AGSA over the 2009/10-2017/18 period with Kannaland only been able to obtain three unqualified reports (for 2013/14, 2014/15 and 2017/18) over the nine-year period, with many matters of emphasis being raised in all three audit reports.

³⁴ A key aim of Project Consolidate was the deployment of Service Delivery Facilitators into the targeted municipalities to enhance and reinforce municipal performance and service delivery; promote a new culture of performance and accountability in municipalities; creating a disposition of collective responsibility and accountability for governance and performance across all spheres of government. Lastly to strengthen the capacity of government. Lastly to strengthen the capacity of government by gathering empirical information that can be analysed and used to refine existing policies and programmes" (Mufamadi, 2007).

Kannaland received six qualification of audit outcomes during the period ranging between either qualified, adverse and, mostly, disclaimed.

An attempt was made to obtain key reasons for the sustained poor performance of this municipality over the last decade. This was done by interviewing oversight institutions (the national and provincial treasuries, DCoGTA and provincial Department of Local Government), as well as both the implementation managers, the municipal manager, the mayor and the speaker of Kannaland municipality (the latter two have only been with the municipality post the 2016 elections and govern within a political coalition). Some critical factors contributing to the persistent failures include the following.

Table 6.4: Kannaland Municipality: Interview summary and key points

Governance Dimension	Some Critical Factors Contributing to the Persistent Failures in Governance
Political Dimension	<p>Major political and administrative instability and risk of political take-over.</p> <p>Coalition government, with no majority political party rule.</p> <p>Fundamentally different political philosophy in the coalition government (limited coherence) – convenient government rule with the main aim ‘to keep joint opposition party’ out of rule.</p> <p>Historically governed by the same political party for a long time with ‘dodgy’ tactics.</p> <p>Limited sense of political transparency, accountability, integrity and will to govern given volatility in coalition.</p> <p>Political/administrative interface is far from optimal with blurred lines of accountability with some political interference and influence at times.</p> <p>Bad governance practices over a long time, which Kannaland is trying to change.</p> <p>Low levels of discipline and order amongst councillors.</p> <p>Limited local inter-party cooperation and consultation amongst political parties.</p>
Normative Dimension	<p>Limited to no respect for the rule of law (over a long time).</p> <p>High levels of non-compliance with relevant legislation, regulation and laws.</p> <p>Bill of Rights principles enshrined in all policy documents, IDP and budget, but limited scope for implementation.</p>

	<p>Policy choices are not evidence-based, and in many cases not based on credible research, e.g. SEP-LGs and MEROs.</p> <p>No clear and distinct separation of powers between the executive, administration and communities – before 2016 – party political cadre deployment is rife.</p> <p>Transparency, responsiveness and accountability are not institutionalised and embedded in all activities of Kannaland as a way of doing business.</p> <p>Financial and institutional sustainability is questionable.</p>
Technical Dimension	<p>Leadership instability and continuity, with most senior staff serving for a very short time (more than ten municipal managers over the period).</p> <p>Skills constraints, limited vision, ethical and values-driven leadership philosophy is debateable.</p> <p>Specialised skills and technical/administrative proficiency and effectiveness are absent or non-existent, with limited rules, processes and systems.</p> <p>Low levels of community trust, integrity and honesty.</p> <p>No urgency or sense of performance management throughout Kannaland, with poor quality and HR behaviour standards.</p> <p>General vacuum and shortage in leadership skills, with high vacancies throughout the institution.</p> <p>Weak institutional structures underpinned by poor levels of strategic and technical skills, competence and capacity throughout Kannaland.</p> <p>Limited to no focus on people, institutions, public services and the economy. Functions in survival mode (day-to-day).</p> <p>Weak financial position; grant dependent; high levels of inefficiencies and ineffectiveness; high levels of irregular, unauthorised and fruitless expenditure; limited revenue base and collections.</p> <p>Financial and institutional governance practices are poor, resulting in poor audit outcomes over time.</p> <p>Processes and systems are not integrated and institutionalised.</p>
Participatory Governance Dimension	<p>Limited sense and acknowledgment of the role of civil society (communities, NGOs and business) in co-creating and co-implementation.</p> <p>Stakeholder participation and partnering is limited with no innovation – basic service delivery is a struggle.</p> <p>Compliance approach to public participation and stakeholder relations.</p> <p>Vision and mission statements are theoretical and not practically demonstrated or implemented.</p> <p>Very low levels of public trust, accountability and responsiveness by the politicians and administration.</p>

	<p>Limited focus on the citizen as a 'client' in public service delivery.</p> <p>Strong support for effective IGR and applying the principles of 'whole-of-government' and 'whole-of-society' approaches.</p>
What will it take to progressively change things around in Kannaland	<p>Restore political administrative credibility.</p> <p>Focus on the citizen as the client and service user.</p> <p>Focus on getting the basics in place, e.g. tactical and technical capacity in key service delivery areas.</p> <p>Establish a leadership philosophy underpinned by strong ethical values, visionary and an environment in which staff flourish and deliver outstanding and sustainable public service.</p> <p>Build community trust and respect by engaging them and making them part of the solution.</p> <p>Strengthen internal and external communication.</p> <p>Restore financial credibility and sustainability.</p> <p>Party political coherence and cooperation – for the sake of Kannaland and the communities.</p> <p>A focus on basic service delivery: radical, urgency, absolute commitment and economic growth.</p>
Biggest Risks for Kannaland	<p>Changes in the current political and institutional landscape, creating instability, continuity and political and institutional succession.</p> <p>Vulnerable coalition government and a regress in efforts to turn things around.</p> <p>Further deterioration of the current negative economic environment and fiscal framework threatening financial sustainability.</p> <p>Increased demand for public services, particularly from indigents.</p> <p>Lack of continued government support and commitment.</p> <p>Further deterioration in institutional capacity, the cost of good governance, role of oversight institutions and support and failures in co-operative governance.</p> <p>Further deterioration of public trust, given the inability to be responsive to citizen demands and basic service needs.</p> <p>Risk of full Section 139 Constitutional intervention and further regression in governance and audit outcomes.</p>

In summary, Kannaland municipality has recently showed some willingness to change, and some marginal improvements in overall governance are noticeable, particularly in that the audit outcomes for the last two years have improved from being disclaimed in

2015/16 and qualified in 2016/17 and further improved to being unqualified in 2016/17. It is also during this period of some political stability, although as a coalition government post the 2016 local government elections, there have been dedicated support interventions and initiatives from provincial government as part of the Constitutional intervention and a real effort by the senior management team and staff to 'save Kannaland'. The municipality confirms this and, based on the recent marginal improvements in some governance dimensions, they conclude that there appears to be a direct link and (inter)relationship between good governance and performance.

6.5.5.3 Oudtshoorn municipality ('Oudtshoorn')

Based on the criteria applied by the researcher and as outlined earlier in the chapter, Oudtshoorn municipality is identified as having demonstrated '*poor performance initially, but has recently been able to progressively turn things around (improved/getting on the right path)*', in this particular case for a period stretching over three political terms of office (2009 to 2018). Oudtshoorn municipality, as reflected in the SEP-LG 2017 for Oudtshoorn, is depicted in Annexure 7D of this dissertation and is classified as a category B2³⁵ local municipality.

According to the 2017 SEP-LG (2017:15) for Oudtshoorn, the municipality "experienced a lower growth rate of 1.3 per cent in the number of households from 2011 to 2016", relative to the Eden District, with a total number of 21 910 households in 2011 and 23 362 in 2016, "which translates into approximately 383 additional formal dwellings per year over this period" and further that "[t]his increase in formal dwellings resulted in the proportion of formal households increasing from 88.5 per cent in 2011 to 91.2 per cent in 2016". The 2017 SEP-LG (2017:17) highlights that "[t]he proportion of households with access to water increased marginally over this period" from 97.1 per cent in 2011 to 98.5 per cent in 2016, indicating that access to piped water has more or less kept "pace with the growth in the total number of households", with the municipality achieving "significant progress in household access to sanitation services

³⁵ National Treasury (2011:193). LGBER. Large towns (B2): "All local municipalities with an urban core, there is huge variation in population sizes amongst these municipalities and they do have large urban dwelling population" (National Treasury of South Africa).

with the proportion of households with access to acceptable standards of sanitation services” increasing from 82 per cent in 2011 to 90.2 per cent in 2016 and therefore “[t]he municipality was able to provide an additional 621 households with access annually; access growing at an average annual rate of 3.2 per cent”.

According to the 2017 SEP-LG (2017:17), Oudtshoorn experienced significant progress in household access to electricity, with the proportion of households with access increasing from 85.3 per cent in 2011 to 92.0 per cent in 2016 and that “[t]he Municipality was able to provide an additional 563 households with access annually”. The municipality experienced significant progress in household access to refuse removal, with the proportion of households with access increasing from 78.0 per cent in 2011 to 87.4 per cent in 2016. The municipality was able to provide an additional 182 households with access annually, at an average annual rate of 3.6 per cent. It is clear that progress has been made by the municipality in delivering the basic services, with some service areas either being aligned or even surpassing the average service delivery progress made over the same period within the Eden region.

Pursuant to the 2016 local government elections, where the outcome resulted in a different political party and administration taking political and administrative control of Oudtshoorn, the municipality, as part of the transition and in order to deal with the many governance challenges, developed a new vision statement that provides direction for the municipality’s long-term development initiatives and is strategically aligned to the 2030 NDP and the 2014-2019 PSP. The 2017-2022 IDP for Oudtshoorn reflects a detailed situational analysis of the internal and external environment that indicates the municipality’s socio-economic profile, service delivery backlogs and development challenges, the landscape characteristics, as well as a financial and SWOT (strengths, weaknesses, opportunities and threats) analysis inclusive of a comprehensive spatial analysis that depicts a clear spatial development strategy aimed at ensuring inclusive growth.

One of the major issues that has plagued the municipality since around mid-2014/15 was decisively dealing with issues around fraud and corruption (perceived or real), lack of accountability and responsiveness, unlocking its economic potential as a prime tourism destination, the institutional and political leadership challenges at the time and progressively dealing with governance breakdowns, and ensuring financial

sustainability in an organisation that faced major going concern issues. Oudtshoorn, also once a Project Consolidate municipality, particularly over the period of 2011 to 2015, was not able to sustain its constitutionally obligated service delivery mandate on many fronts and provide clear, accountable and responsive services with high levels of good governance practices to its citizens. During this period, Oudtshoorn was placed under political and administrative oversight and administration in terms of Section 139 of the Constitution for failure to execute its executive function, which includes failure to approve an annual budget within the timelines and a temporary budget being crafted by the provincial administration.

From a financial perspective, notwithstanding its economic potential, the financial health of Oudtshoorn municipality was in crisis, and this has been the case for most of the entire period (between 2009 and 2016). Since 2016, pursuant to a new government being elected, the turnaround required commitment from the new administration and management team to compile a sustainable medium- to long-term financial turnaround strategy and financial recovery plan addressing some of the key financial indicators that required a turnaround. This included the addressing of governance failures, such as timeous tabling of funded budgets, poor cash flow management, liquidity ratios well below the norm, overspending of budgets, under-collection of revenue and poor revenue management practices, no proper internal controls and procedures relating to supply chain management (SCM), improving poor financial accountability and reporting, righting financial irregularities, as well as going concern/financial sustainability uncertainties.

These concerns were evident in most annual audit reports of the AGSA between 2009/10 and 2015/16, with Oudtshoorn obtaining three unqualified reports (for 2011/12, 12/13 and 2013/14) and many matters of emphasis reflected in all of these. The major lapses in governance started to creep into the system from around 2013, resulting in Oudtshoorn consecutively receiving three qualification of audit opinions for the period 2014/15, 2015/16 and 2016/17, ranging from an initially adverse opinion in 2014/15, improving to being qualified in 2015/16, 2016/17 and 2017/18. However, the focus was on progressive improvement in overall governance in Oudtshoorn and this achievement is reflected in the number of other matters raised by the AGSA in 2016/17 and 2017/18 reducing substantially over the period, in comparison with 2014/15 where

progressive effort by the political and administrative leadership team was demonstrated in creating a culture of good governance and performance.

Notwithstanding the latest 2017/18 audit outcome, it is clear that there is progressive implementation of the financial recovery plan by the administration, particularly from the new management, which demonstrates leadership in all areas of the business. As previously indicated, this effort by management has been acknowledged by the AGSA who awarded Oudtshoorn with the 'best progress' award in 2018 during the provincial audit awards ceremony for consistent performance and persistence in pushing the clean governance agenda. Given its progress, the provincial executive intervention in Oudtshoorn in terms of Section 139 of the Constitution has also been terminated, given the demonstrable evidence provided of political and administrative commitment and accountability to deal with the various challenges faced by the municipality.

The research endeavoured to obtain the key reasons for the initial governance and performance lapses in Oudtshoorn municipality, as well as which factors contributed to the recent noticeable progressive improvement and energy to turn things around (improved/getting on the right path). Interviews were conducted with provincial oversight institutions, namely the national and provincial treasuries, DCoGTA and provincial department of local government, provincial standing committee on local government, current municipal manager and chief financial officer, mayor and/or speaker of Oudtshoorn. In capturing and documenting their responses, below are some key reasons advanced by interviewees for the previous lapses in governance and performance and, more importantly, the current initiatives and reasons that have contributed to this noticeable performance and governance improvements in Oudtshoorn. It is mentionable that the current leadership team has only been with the municipality post the 2016 elections.

Table 6.5: Oudtshoorn Municipality: Interview summary and key points

Governance Dimension	Some Critical Factors Contributing to the Persistent Failures in Governance
Political Dimension	<p>Some form of political and administrative stability.</p> <p>A majority political party rule and government.</p> <p>Sense of political transparency, accountability, integrity and political will to clean up governance.</p> <p>Political/administrative interface is better, but not optimal.</p> <p>Clear lines of accountability with some political interference and influence at times.</p> <p>Levels of discipline and order amongst councillors can be improved.</p> <p>Limited local inter-party cooperation and consultation amongst political parties can be improved.</p>
Normative Dimension	<p>Respect for the rule of law (a major shift from the previous administration).</p> <p>Improved levels of compliance with relevant legislation, regulations and laws.</p> <p>Bill of Rights principles enshrined in all policy documents, IDP and budget, but scope for implementation can improve.</p> <p>Policy choices are in many cases evidence-based and based on credible research (e.g. SEP-LGs, MEROs and/or own research).</p> <p>Clear and distinct separation of powers between the executive, administration and communities – before 2016 party political cadre deployment was common.</p> <p>Transparency, responsiveness and accountability are embedded and institutionalised in all activities of Oudtshoorn as a way of doing business.</p> <p>Financial and institutional sustainability has progressively improved in comparison with the situation under the previous administration.</p>
Technical Dimension	<p>Strong and experienced leadership, particularly from the municipal manager and CFO, who have decades of experience in local government.</p> <p>Leadership was stable long term, with limited staff turnover and improved continuity. Lately this has been challenged by political/administrative differences, which impact on operations.</p> <p>Persistence by management in pushing the clean governance agenda.</p> <p>Visionary, ethical and values-driven leadership philosophy with some institutional skills constraints.</p>

	<p>Institutional rules, processes and systems have been documented and implemented, particularly improving quality standards in human resources and finance.</p> <p>Levels of community trust, integrity and honesty have substantially improved since 2016.</p> <p>Strong sense and urgency to institutionalise performance management throughout Oudtshoorn.</p> <p>The pre-2016 vacuum and shortage in leadership skills have been reduced, as well as key vacancies throughout the institution across the service delivery platform.</p> <p>The pre-2016 weak institutional structures have been attended to, which were underpinned by poor levels of strategic and technical skills, competence and capacity throughout the municipality.</p> <p>There is a strong focus on people, institutions, public services and the economy – a progressive shift from the pre-2016 ‘day-to-day survival mode’ to proper integrated budget planning and implementation.</p> <p>Progressively improved the pre-2016 weak financial position, grant dependent, high levels of inefficiencies and ineffectiveness, high levels of irregular, unauthorised and fruitless expenditure, limited revenue base and collections.</p> <p>Financial and institutional governance practices have been strengthened, resulting in the progressive and sustained improvement in audit outcomes and service delivery.</p> <p>Processes and systems are in the process of being integrated and institutionalised across activities in Oudtshoorn.</p>
Participatory Governance Dimension	<p>Full acknowledgment of the role of civil society (e.g. communities, NGOs and business) in co-creating and co-implementation of public services.</p> <p>Improved stakeholder participation and partnering resulting in progressive basic service delivery improvement.</p> <p>Exploring differentiated approaches to public participation and stakeholder relations.</p> <p>Strong support for effective IGR and applying the principles of ‘whole-of-government’ and ‘whole-of-society’ approaches.</p> <p>Vision and mission statements are not just theoretical and are practically demonstrated or implemented, with the municipal manager leading from the front.</p> <p>Improved levels of public trust, accountability and responsiveness by politicians and administration.</p> <p>Specific focus on the citizen as a ‘client’ and user of public service delivery.</p>
What will it take to sustain the progress made	<p>Political and administrative stability and credibility is paramount.</p>

<p>Oudtshoorn and to improve even further</p>	<p>Reinforce inter- and intra-party political coherence and cooperation – ‘for the sake of Oudtshoorn and the communities’.</p> <p>Build on successes, trust and protection of the independent lines of accountability and strengthen the political interface.</p> <p>Improved focus on the citizen as the client and service user.</p> <p>Focus on moving beyond just ‘getting the basics in place’ to the next level of governance.</p> <p>Sustain and improve the tactical and technical capacity in key service delivery areas, particularly in HR, infrastructure and finance.</p> <p>Strengthen and further support the leadership philosophy, which should be underpinned by a sense of strong ethical values, be visionary and an environment in which staff flourish and deliver outstanding and sustainable public service.</p> <p>Build stakeholder, community and public trust and respect by engaging them and making them part of the solution, including improving both internal and external communication.</p> <p>Sustainably and progressively restore financial credibility and sustainability, maintain it and move to the next level of governance for results and not merely for compliance.</p> <p>Continue the focus on clean governance and the focus on basic service delivery: radical, urgency, absolute commitment and economic growth.</p>
<p>Biggest Risks for Oudtshoorn Municipality</p>	<p>Changes in the current political and institutional landscape, creating instability, continuity and political and institutional succession with the risk of potential regression in governance gains and audit outcomes.</p> <p>Further deterioration of the current negative economic environment and fiscal framework and the lack or reduction of continued provincial government support and commitment threatens financial and institutional sustainability.</p> <p>Increased urbanisation and demand for public services, particularly from indigents.</p> <p>Further deterioration in institutional capacity, the cost of good governance, role of oversight institutions and support and failures in co-operative governance.</p> <p>Further deterioration of public trust given inability to be responsive to citizen demands and basic service needs.</p> <p>Risk of a full Section 139 constitutional intervention and loss of governance gains.</p>

In summary, Oudtshoorn municipality can be regarded as a best practice case study to demonstrate, in particular, the impact and role played by the collective leadership to progressively improve governance. Oudtshoorn municipality has been able to confirm this point from an institutional, financial and service delivery perspective,

particularly reflected in the audit outcome being improved from a disclaimer in 2014/15 and then sustained by reception of a qualified audit opinion over the last three years, with a substantial downward adjustment in the number of issues raised by the AGSA. The municipality confirms that, based on the recent consistent year-on-year improvement in overall governance, which is underpinned by a medium-term recovery plan compiled in 2016, that there indeed appears to be a direct link and (inter)relationship between good governance and performance. The researcher, quoting the municipal manager, indicates that from his own experience in Oudtshoorn and many other municipalities where he served as municipal manager that there is a nexus between good governance and performance and that implementing good governance practices does not happen automatically, it takes time, it requires resilience, urgency and absolute commitment from the politicians, the ‘whole-of-government’ and the broader communities operating as the whole-of-society.

6.5.5.4 City of Cape Town (‘City’) Metropolitan municipality

According to the City of Cape Town Integrated Annual Report 2016/17, “Cape Town has the second-largest population of all cities” in the Republic of South Africa, “and is one of the most visited tourist destinations on the African continent. It is a significant economic, political and business hub for South Africa, and a key driver of South African and African growth and development”.

In terms of regional government, the Cape Metro is a vibrant metropolitan area that dominates the economy of the Western Cape. In 2016, the Cape Metro area contributed 71.8 per cent to the GDP of the Western Cape and provided employment for 1 539 808 people (62.6 per cent of employment in the Western Cape).

Based on the criteria applied by the researcher and outlined earlier in the chapter, the City of Cape Town metropolitan municipality has been identified as a municipality that has *‘consistently demonstrated good performance since 2009/10, but has recently shown some signs of regress’*, for a period stretching over at least three political terms of office (2009 to 2018). The City of Cape Town is classified as a Category A metropolitan municipality and in 2018 had in excess of just over four million inhabitants, growing at around 1% on an annual basis and in excess of 1.3 million

households growing in excess of three per cent on an annual basis. The City of Cape Town municipality, as reflected in the SEP-LG 2017 for the City, is depicted in Annexure 7E of this dissertation.

According to the 2017 SEP-LG (2017:13a) for the City of Cape Town, the “GDPR per capita is highest in the City of Cape Town, more so than in any of the other districts of the Western Cape. The City’s per capita contribution to GDPR is also notably higher than the Western Cape average” and “[t]hese high levels of GDPR per capita is reflective of the City’s strong position in terms of economic output in relation to that of the other districts” in the province. The SEP-LG (2017:13b) makes the point that “[t]he National Development Plan has set a target of reducing income inequality in South Africa from a Gini coefficient of 0.7 in 2010 to 0.6 by 2030” and that the income inequality has concernedly “in general been on the increase throughout the various districts”, including in the City. The City’s Gini coefficient was 0.61 in 2016, the highest of all municipalities in the province.

According to the SEP-LG (2017:16), the “percentage of households with access to a formal dwelling within the City of Cape Town increased from 78.4 per cent in 2011 to 81.6 per cent in 2016”, marginally lower than the average for the province, “which indicates that housing delivery across the metro takes place at a rate” of 4.3 per cent per annum which is “a faster rate than the growth in the total number of households”.

The SEP-LG (2017:17) highlights that “[t]he number of households in the City increased by 196 276 between 2011 and 2016, whilst an additional 200 521 households were provided with access to piped water”, which is an indication “that the City’s service delivery efforts are keeping up with the demand for water services”. The access to potable water services increased from 99.3 per cent in 2011 to 99.8 per cent in 2016, reflecting that almost all citizens in the City have access to clean and safe water resources. Given the recent drought in the province, particularly within the Metro, the water-services function in the City has become stressed since 2017.

In terms of extending sanitation services to the broader public, the City has made notable progress in the availability of decent sanitation services and provided it to all households above the minimum standard, namely “a total of 94.3 per cent of all households enjoy access to a flush or chemical toilet connected to a sewerage system, up from 91.4 per cent in 2011” (SEP-LG, 2017:17). Notwithstanding, “the City’s

delivery rate in 2016 does however remain slightly below that of the Western Cape". In relation to refuse removal services at least once a week within the City, "a net increase in access to refuse removal services across this period, household growth outpaced the provision of such services" (SEP-LG, 2017:17) and as a result there is a notable decrease in the provision of the service between 2011 and 2016. According to the SEP-LG (2017:18), the provision of electricity to households in the City improved from 94.0 per cent in 2011 to 97.7 per cent in 2016, providing an additional 231 672 households "with access to electricity as primary lighting source between 2011 and 2016 which equates to a 4.2 per cent averages annual growth".

The Financial and Fiscal Commission (FFC) presented a report to the Mayoral Committee on 18 September 2018 showing that, comparatively to other metros in the Country, the City consistently provides the best services. Amongst others, according to the FFC (2018), "the City of Cape Town is providing flush toilets and weekly refuse removal at a higher percentage rate than any other metro. A total of 93.8% of households in Cape Town have access to a flush toilet while", comparatively with other metros, "93.2% of households in Nelson Mandela metropolitan; 88.6% of households in Johannesburg; and 85.4% of households in Ekurhuleni have access to flush toilets, respectively" (FFC, 2018). The FFC notes that improving capital spending would improve the responsiveness of the City to socio-economic and service delivery imperatives within the City and in order to improve municipal performance sustainability and citizen impact.

Areas of concern in the City include increasing inequality in income distribution; significant proportion of low-income earners; decreasing matric pass rate; informal dwellers; high number of deaths caused by interpersonal violence and HIV/AIDS, as well as through injuries sustained from assault; and crimes including theft, drugs, robbery, assault and malicious damage to property.

The City's 2017-2022 IDP sets out the objectives of the City, which are closely aligned to the NDP goals and the 2014-2019 PSP. As highlighted in the LGMTEC Assessment Report 2016/17: City of Cape Town (2016:7), in the IDP, SDF and the budget, the City recognises that "sustainability and prosperity will be determined by the City's ability to respond to change – rapid urbanisation, contrasting wealth and poverty, high unemployment, infrastructure and service backlogs, resource scarcity, depleting oil

reserves, energy and water supply constraints, and climate change”. Water resilience and dealing with the protracted drought disaster are major challenges that the City has had to deal with recently.

According to the LGMTEC Assessment Report 2016/17: City of Cape Town (2016:7), there is a need for the spatial “reorganisation of Cape Town to be resilient and adaptable, and the City will constantly balance competing agendas for the provision of basic needs, social services and utilities against the stimulation of economic development and employment, the management of city growth, and the protection of environmental resources and systems” and further that any “new growth must be directed towards appropriate locations, and the spatial structure of the City must be flexible to adapt appropriately to market trends, such as shifts in the demand for industrial, commercial and residential property. Conversely, the market must be incentivised to respond to the spatial structuring elements and policy directives as set out in the IDP” and BEPP.

The BEPP process that is implemented has been very successful in creating a platform for intergovernmental engagement on the plans and projects being implemented in the cities’ space by the different spheres of government, including state-owned companies. Social facilities such as health and education are critical to integrated development at a city level and greater alignment in planning and implementation between the City and the relevant provincial departments is encouraged. This is supported by a budget that is responsive and has a strong focus on economic growth and job creation, enabling infrastructure-led economic growth, promoting a sustainable environment, implementation of effective transport systems, leveraging assets for economic growth as well as training and skills development.

However, according to DCoGTA (2019:9), service delivery protests, including those turning violent, increased over the two-year period between 2016/17 and 2017/18, particularly within the metropolitan municipalities, increasing from 967 in 2016/17 to 999 in 2017/18. Municipalities with the highest number of protests in 2016/17 and 2017/18 were the metros, particularly the City of Cape Town (325 in 16/17 and 328 in 17/18), Ekurhuleni (120 and 315), City of Johannesburg (134 and 211) and Nelson Mandela Bay (163 and 61) (DCoGTA 2009:34).

More than one third of all the protests in metropolitan municipalities happened in the City of Cape Town. The number of violent protest with the City of Cape Town over the past two years is concerningly high, calling into question the effectiveness of the citizen participatory governance practices that are in place in the City. Although it is difficult to establish whether there is a direct link between the rate of public participatory processes that involve and provide feedback to communities and the prevalence of protests as the highest number of protests occurred in metros, one must ask the question of whether or not public participatory governance practices receive the required priority attention and, if not, whether this is possibly the reason for some violent protest spiralling out of control in the City of Cape Town. These protests very often result in the destruction of key service delivery public sector infrastructure, having major negative impacts on the delivery of basic services, the achievement of economic growth and development objectives of the country, and costing millions in public resources to manage these violent protests.

In relation to service delivery and free basic services, when measuring access to water, the DCoGTA (2019:10) reports “[t]he City of Cape Town had the highest average of stoppages per month in each year (between 6 400 and 7 500 stoppages), followed by the City of Johannesburg (2 500 to 2 700 stoppages) and Ekurhuleni (around 1 800 stoppages)”. In relation to access to sanitation and the measurement of sanitation spillages, the DCoGTA (2019:11) reports that “[t]here is a significant number of average sanitation spillages per month in metros (between an average of 3 803 in 2016/17 and 4 132 in 2017/18)”. Concerning is that the “City of Cape Town had the highest level of sewerage spillages in each of the years (between 10 300 per month in 2016/17 to 10 700 in 2017/18), followed by Ekurhuleni, the City of Johannesburg, eThekweni, Nelson Mandela Bay and City of Tshwane with averages of far more than a 1 000 spillages per month in each of the two years” DCoGTA 2019:11).

From a governance perspective, since around 2009 the City of Cape Town has been setting the national benchmark for driving and inculcating good governance in its internal systems and delivery processes. This has not gone unnoticed, as the City was the first metropolitan municipality in the country to receive a clean audit from the AGSA in 2011/12. Since 2012/13, for four consecutive years until 2015/16, the City was able to maintain this highest standard of clean governance. However, in 2016/17, the City

faced a major challenge in dealing with the protracted drought in the region from a service delivery perspective. The drought has really tested the City's resilience to effectively deal with the challenge and to remain on course to deliver on its stated objectives and delivering services to its communities.

During the 2017/18 financial year, the City of Cape Town has undertaken an Organisational Development and Transformation Process (ODTP) in order to promote service delivery and spatial transformation in the Cape Metro area. As part of the ODTP, the City of Cape Town established an area-based service delivery directorate that ensures all service delivery departments are operational, functional and measurable within the strategic pillars identified by the City of Cape Town. Furthermore, as part of the ODTP, the Cape Metro area has been divided into four areas that will form the basis of the area-based service delivery model. The model aims to ensure service delivery coordination and management, as well as service standard monitoring at the level of the four delineated areas. It should be noted that whilst implementing the ODTP, the City also experienced the toughest parts of the worst drought on record, which impacted severely on municipal operations and service delivery, as well as staff morale and ability to implement strategies.

Given the recent dynamics at the City, based on information obtained through publicly available resources and knowledge, both in the administration and on a political front, no single individual or group of individuals at the City was prepared to share their views on the reasons for recent governance lapses at the City and to what extent these have impacted on service delivery to the community of Cape Town. Similar findings have been made by Olver (2019) when he tried obtaining permission to do research in the City of Cape Town. Olver (2019) highlighted that in applying to do research, he "send them a letter, filled out an application form and had to submit a long list of stuff". He compared it to being almost as bad as trying to obtain development rights. Notwithstanding completing the entire process, Olver (2019) indicates that "it took about a month, the answer came back: No! We decline your research request". Therefore, facing similar challenges as Olver (2019), in relation to the City, the researcher relied on public information to make certain deductions from a governance and service delivery perspective.

According to various newspapers articles, it would appear that the City was not politically and institutionally geared to deal with this major challenge from a resilience perspective. It is the view of the researcher that this inability to deal with the various challenges created panic in a system that has been running efficiently for a very long time. Politically, everyone wanted to manage or be seen to be managing the drought, which in the view of the researcher created major issues around political and administrative mandates, the role of the provincial government and the City, the role of the political party and the State and the role of national government, being a different political party and also responsible in terms of the Constitution, for water provision.

This crisis created major internal party political fallout internally in the City and between the City and the province, with effects spilling over into the administration. The accountability lines became blurred and it is reported that politicians, in a panic to respond to the drought, apparently got involved in SCM processes and in the process flouted set governance policies and institutional arrangements. Some allegations suggest that the mayor became too powerful in the activities of the administration. The City managers, who served the City with distinction resigned after being implicated in apparent maladministration. Politically, the mayor and her mayoral committee were openly not on the same page, resulting in the ruling party tabling a vote of no-confidence in their own mayor. The political instability made it very difficult for proper administrative-political interface, which is a key requirement under the political dimension of governance.

Trust in the system and in each other, politically and administratively, started to erode with some reports citing that even the executive director team at the City of Cape Town were not all pushing in the same direction, given the political spill over into the administration. These governance challenges at the City of Cape Town dominated local newspapers headlines. Makinana (2018) in his newspaper article confirms that “for many years, Cape Town, the DA’s flagship government, has received clean audits, but a source told City Press that the downgrade was because the Auditor-General found that mayor Patricia de Lille’s leadership had led to governance and leadership failures” and because of these failures the City lost its clean audit status with the AGSA listing a number of serious concerns involving the mayor.

Gerber (2018) confirms that the failures in political governance negatively impacted on the brand and the service delivery ability of the City and underscores the point that the “priority is to bring stability and mature leadership in the City of Cape Town and to put the needs of the people first”. In order to achieve this, a serious intervention into the conduct of the mayor was required to get the City back on track (Gerber, 2018).

During the last audit of the City, the AGSA found some serious governance lapses, particularly as these relate to the City not following SCM prescripts in certain matters and not adhering to the rule of law. In this regard, the City’s audit outcome regressed from being a clean administration for four consecutive years since 2012/13 to 2015/16, to receiving an unqualified report in 2016/17 and 2017/18, where certain matters were raised that require the urgent attention of the City. The findings highlighted by AGSA mainly relate to internal control deficiencies in respect of compliance to laws and regulations, whereby key risks have been noted which, amongst other, include the quality of the annual financial statements (material misstatements since the policy and accounting principles are not aligned), ICT and SCM – Contract Management (repeat findings in respect of contract management). The matter between the mayor and her political party is currently playing out in the judiciary, but it is clear that failures in the political governance arena at the City have impacted negatively on the administrative ability of the City to perform.

Olver (2019), in his presentation on ‘Are governance and growth a contradiction?’, made an analysis of the governance challenges at the City of Cape Town and how these have contributed to the current state of governance at the City. In his presentation, he highlighted (citing Consulta, 2019; Statistics South Africa, 2018; and Good Governance Africa, 2019), that the City of Cape Town, almost by every index, measured the top in the country out of all the other seven metros and, from an external perspective, is regarded as “a well-functioning, happy, moving forward municipality”. However, he makes the point that on closer scrutiny, there appear to be may governance challenges, highlighting the following:

- Governance and rules for compliance and to satisfy the AGSA in chasing clean audits, at times at the expense of service delivery. This was evident in the proliferation of internal audit, legal services and forensics, citing the previous City Manager. Olver (2019) makes the point that, at the City of

Cape Town, staff were of the view that “compliance has become the be all and end all; you are so busy complying you forget to do any work, you don’t have time to do any work because you are complying yourself into a coma”;

- Structural concerns and knowledge sharing and that, according to staff, cited by Olver (2019), “compliance and service delivery ended up at war with each other with there always be some rules and some piece of paper which someone will pull out as a reason why we can’t do anything and that resulted in us never going to get anywhere in the city”;
- Restructuring at the City has just crippled the institution from effectively delivering on their service delivery obligations. Some officials, according to Olver (2019), indicated that this is the “sixth restructuring since the Metro was formed in 2000 and that they have been in permanent restructuring mode that is massively disruptive with others seeing the restructuring as a blatantly political exercise whereby the mayor was using the organisational development and transformation process to centralise power and create and executive structure within the administration for political reasons”;
- Political and administrative interface not healthy nor constructive and this point is confirmed in the book co-authored between the mayor and a senior official, namely “View from City Hall: Reflections on Governing Cape Town” (de Lille & Kesson, 2017) in which, according to Olver (2019), he cites the authors describing the political interface as “in simple terms, the politician usually faces the senior civil servant as relatively lonely figure, whilst the civil servant is something like a general commanding an army”. This confirms the oppositional way of viewing the civil servant in that the politicians in the City feels threatened by the bureaucracy, when, according to Olver (2019), de Lille and Kesson (2017) wrote “the civil servant cannot initiate action without the politicians’ direction and sanction that is consistent with the mandate”.
- Major delivery challenges in housing delivery, public transport, infrastructure delivery, basic services provision and efficiency in the administration / institution and a surge in irregular expenditure and financial governance breakdowns.

Olver (2019) sums up the state of governance in the City of Cape Town in six points, namely:

- Significant municipal decisions centralised in a cabal;
- Appointments made according to political loyalist, not on merit;
- Technical expertise not valued or retained and technical advice ignored or blocked;
- Politicization of bureaucracy with ‘favourites’ who do ‘your’ bidding;
- Intimidation of staff who don’t support politicians’ views; and
- Key allocation processes controlled by factional interest.

It was clear that the political infighting and the administrative instability in the City of Cape Town has impacted on the performance of the City in many areas. The City of Cape Town (2019) 2018/19 Mid-year performance assessment by the National Treasury highlighted the following concerns:

- Persistent underspending on Infrastructure directly impacting on service delivery;
- Under-achievement on ‘good governance’ key performance area with the City citing the failure on Good governance is a result of the target was set as high as a ‘Clean Audit Status’;
- The City received an unqualified audit with findings for the past 2 financial years. For the 2015/16 financial year the City received an unqualified audit with no findings (“clean audit”); This is the City’s 15th consecutive unqualified audit opinion;
- The material findings for the 2017/18 financial year on compliance were:
 - Expenditure Management - The findings were as a result of non-compliance with Section 116(3) of the MFMA.
 - Procurement and Contract Management – A tender was drafted in a biased manner and a similar finding was reported in the prior year which is in contravention of the Municipal Supply Chain Management Regulation 27(2)(a).

- Annual Financial Statements, Performance and Annual Reports –
The financial statements submitted were not prepared in all material respect in accordance with the requirements of section 122(1) of the MFMA.
- Increasing water losses (unaccounted revenue water losses) from 18.83 to 24.42 percent between 2016 and 2018 respectively
- Electricity losses in excess of 10% per annum over the past two years
- Main reason for the under achievement relates to a lack of good governance according to the audit opinion of the AGSA
- The City's governance and financial management, however, remains sound and strong; and remedial measures have been taken in line with this administration's emphasis of being an accountable and transparent government.
- Underperformance on the SDBIP in the areas of Basic Service Delivery, Municipal Institutional Development and Transformation, Local Economic Development, Financial Viability with many reasons being cited by the City (City of Cape Town (2019: Slide 44) for this underperformance.

It would be interesting to know some of the insider views on this matter and what they consider it would take to turn things around at the City, once seen and widely acknowledged as the model metro municipality in the country.

6.6 CONCLUSION AND SUMMARY

Municipal performance requires the application of good governance, which requires strong leadership, both political and administratively. It requires strengthening the institutional capacity of the organisation, through proper and clean political governance practices premised on respect for the separation of powers between the legislature, executive and judiciary, structured accountability arrangements and proper oversight. Institutionally, it requires initiatives to improve the efficiency and effectiveness of the state in the implementation of policy and establishing the rule of law. Creating the required technical capacity to implement and give effect to the characteristics and

requirements of a functional state, institutionalise practices that encourage open entry and competition from the private sector and effective mechanisms to deal with civil society, voice and participation, and creating appropriate partnering arrangements, all remain a foundation and non-negotiable to ensure organisational performance that is underpinned by good governance practices.

This proposed municipal governance and performance model sets out the broad framework as a minimum requirement. If applied properly by politicians, administrators and those charged with oversight responsibilities, it will lay a good basis for ensuring local government performance and service delivery, in accordance with Section 152 of the Constitution and underpinned by the application of good governance practices by all role-players, as set out in Chapter 2 and this chapter.

The Malila model introduces renewed focus on participatory governance as a new, yet important dimension for municipal performance. Citing Governance International (2019c), “increasingly we are seeing greater involvement of citizens in service delivery”, but it is key to understand the role that citizens must and are prepared to “play in the design and delivery of those public services which matter most to them”. A new concept has emerged, namely co-production and community governance. Governance International (2019d) submits that it is about creating partnerships to institutionalise “co-commissioning, co-designing, co-delivering and co-assessing public services and outcomes with service users and local communities with the aim of improving high priority public outcomes through new forms of user and community co-production”. This must be institutionalised to ensure effective and responsive municipal service delivery.

In validating the model, the chapter also provided some relevant case studies of municipalities, ranging from those that have consistently performed well to those that have consistently performed poorly. The desktop and case study analyses clearly demonstrate both the positive and negative relationship between applying and not applying the principles of good governance in running the business of a municipality and the associated implications on municipal performance. In conducting the case studies and focus group discussion, there is a clear sentiment on the nexus between good governance and performance, which will be expanded on in Chapter 7.

CHAPTER 7: CONCLUSION, SUMMARY AND RECOMMENDATIONS

7.1 INTRODUCTION

The aim of this chapter is to provide the conclusions and recommendations flowing from the research. It provides linkages between the preceding chapters and aims to answer the initial research questions and sub-questions, as well as highlight opportunities for further research possibilities that will enhance the findings of this research. The chapter reflects on, and responds to, the ancillary research question on the nexus between good governance and organisational performance, particularly in the public sector. The proposals and recommendations are clustered in accordance with the proposed municipal governance and performance model presented in Chapter 6, focusing on the dimensions and elements of good governance and how the application of good governance principles enable municipal performance.

Given the many performance challenges faced by municipalities, the goal of this dissertation is to understand underlying reasons for these challenges municipalities in delivering services to communities and, through delivery, give effect to the constitutional and policy requirements of developmental local government. In this regard, it was found that some of the main underlying reasons for levels of sub-optimal performance by municipalities over the last 20 years or so can largely be attributed to a lack of proper governance arrangements. In line with this, the researcher has developed two main research questions and one ancillary research question that form the basis of the dissertation, as set out in Chapter 1.

In response to the two main research questions and sub-questions, this dissertation presents a conceptual municipal governance and performance model for municipalities in South Africa that will assist in identifying fundamental building blocks and a minimum set of good governance requirements that will lay the basis for sustainable municipal performance.

This chapter also provides a response to the ancillary research question, followed by a presentation on the linkages of the good governance and performance model, connecting it to the various chapters in this dissertation. This is followed by a set of good governance recommendations aimed at improving municipal performance. The relevance, use and practical application of the good governance principles, as an

enabler for municipal performance, are also provided. The chapter concludes with the identification of some opportunities for further research aimed at enriching the findings and application of this dissertation.

The outline of the entire dissertation is as follows:

- The Introduction (Chapter 1) lays the basis and provides underlying reasons for engaging in this research, whilst the ‘Conclusion, Summary and Recommendations’ (Chapter 7) provides a connection between the various chapters, the key recommendations and findings, as well as offers a response to the initial research questions.
- Chapters 2 and 3 provide the theoretical framework and literature review of the two main concepts, namely governance and performance. Chapter 2 provides an in-depth analysis on ‘governance’ as a concept: how it has developed over time, its application in theory and practice, the respective dimensions of good governance and the various forms of governance and models, with a specific focus and application in the public sector. Good governance, as a form of governance, its characteristics and underlying elements, with application in the public sector, forms the basis of Chapter 2.
- Chapter 3 provides an in-depth analysis of the concept of ‘performance’, with a focus on the public sector. Chapter 3 includes a detailed analysis of the various organisational performance models and theories and provides an analysis of various factors that have an impact on organisational performance. Given that the focus of this study is on the public sector, which is not driven by profits per se, but by creating public value and customer satisfaction, the research recognises the various role-players, both internal and external to the municipal environment. Chapter 3 also touches on the characteristics of high performance organisations and concludes by highlighting some critical success factors for municipal and organisational performance.
- With chapters 2 and 3 forming the theoretical base of this dissertation, chapters 4 and 5 set out the legislative, regulatory and policy frameworks and requirements related to governance and performance in local

government, including the roles and responsibilities of oversight institutions. Chapter 4 provides a history of the development of local government pre- and post-2000, the intergovernmental system of local government in South Africa (namely fiscal, institutional and political), an analysis of the many legislative and policy documents applicable to the local government environment, the key legislative statutes of the Constitution, the 1998 White Paper on Local Government, the Structures Act, the Systems Act, the MFMA and the various regulations and policy papers. Chapter 5 captures the legislative, regulatory and policy framework to improve financial governance and council oversight for enhanced local government organisational performance in South Africa.

- Chapter 6 introduces the proposed municipal good governance and performance model, constructed taking into account key research findings as reflected in the theoretical chapters 2, 3, 4 and 5. The proposed model aims to assist various role-players in local government to understand the main concepts of governance and performance and particularly the dependencies and linkages between the two concepts. The proposed municipal governance and performance model also outlines the various key elements that must be considered in measuring municipal performance from a governance and legislative perspective. Chapter 6 also provides an extensive analysis of the various institutions that have oversight responsibilities, inclusive of their respective measurement instruments and analysis of municipal performance. In addition, the model validation process, internal and externally, and an analysis of the findings from the case studies and focus group discussions are also provided in Chapter 5.

7.2 KEY FINDINGS AND RESPONSE TO RESEARCH QUESTIONS

7.2.1 Key Findings

Chapter 1 sets out two main research questions, and one ancillary research question aimed at complementing the two main research questions. Chapter 1 also outlines various sub-questions. These sub-questions make up the goals of each of the

chapters in this dissertation with the objectives of each chapter forming the basis for sub-dividing each chapter.

Research Question 1: What are the inherent requirements for municipal performance in South Africa?

The sub-questions, are as follows:

- What is the all-embracing definition of performance?
- What are the main strands, elements and constituent parts of organisational performance in the municipalities?
- What are the main legislative and policy arrangements governing local government performance?

Research question 1 and the sub-questions are responded to in chapters 3 and 5 of this dissertation.

Research Question 2: What role does good governance play in municipal performance?

The sub-questions, are as follows:

- What is the all-embracing definition of governance?
- What are the main strands, elements and constituent parts of good governance in the public sector?
- What are the main legislative and policy arrangements governing local government governance?

Research question 2 and the sub-questions are responded to in chapters 2 and 5 of this dissertation.

Ancillary Research Question

The researcher also developed a third research or ancillary research question that is linked to the two main research questions, namely: **what is the nexus between good governance and municipal performance**. Developing a response to the ancillary research question presupposes a proper understanding of the two main concepts addressed in this dissertation, namely governance and performance, as outlined in chapters 2 and 3. It also presumes a thorough understanding of the legislative and policy environment and context relating to these two concepts, which is addressed in chapters 4 and 5.

The response to the ancillary research question is provided in Chapter 7 and premised on the constituent parts of the proposed municipal governance and performance model presented in Chapter 6. The answer to the ancillary research question takes into account the research findings in chapters 2 to 5 and the good governance and performance model (Malila model) as presented in Chapter 6, all of which are underpinned by literature and policy documents, as well as key findings from the internal validation, focus group discussions, case study analysis and interviews with key stakeholders and specialists in the local government environment, as set out in Chapter 6 of this dissertation.

7.2.2 Research Question 1 and Sub-Questions

The answers to research question 1 and its sub-questions can be primarily found in chapters 3, 5 and 6 of this dissertation. Section 3.2 provides a range of definitions of performance, and distinguishes between individual and organisational performance in sections 3.2.3 and 3.2.4 respectively. The concept of organizational performance is very common in the academic literature, yet trying to construct a definition of the concept is very difficult because of its many meanings. For this reason, there is not a universally accepted definition of this concept. The researcher has relied on the work of Gavrea, et al. (2011:287); Georgopoulos and Tannenbaum (1957:535); Yuchtman and Seashore (1967:379); and Lusthaus and Adrien (1998) when attempting to define the concept.

Within the public sector, organisational performance is primarily expressed in terms of economy, effectiveness, efficiency and appropriateness (impact), measured in accordance with the triple bottom line, namely economic, social/ethical and environmental. Despite countless academic literature and documentation, universal agreement on the construct of organisational performance remains elusive. A multidimensional lens is therefore required to grasp the concept, particularly within the public sector. To define organisational performance in the public sector, the researcher primarily relied on the work of Pauw, et al. (2009:202); Lips (1998:329); Hazlett and Hill (2003:446); Cordella and Bonina, (2012:512, cited by Ndlovu, 2015:2); Combs, Crook and Shook (2005:261); Hamann, et al. (2013:7); Murphy, et al. (1996); Richard, et al. (2009); Fryxell and Barton (1990, cited by Hamann, et al., 2013); Fontannaz and Oosthuizen (2007:11); Kotter and Heskett (1992, cited by Kirby, 2005:30 - 39); Kolk, van der Veen, Pinkse and Fortanier (2005, cited by Fontannaz & Oosthuizen, 2007:11) and Kirby (2005:30-39) to shape and formulate an appropriate definition of organisational performance in the public sector. Based on the above resources, the researcher defines it as “meeting stated goals and objectives (effectiveness) within the constraints of limited resources (efficiency), shifting from an input- and resource-focused administration to output- and result-based public service with the emphasis on outcomes or impact of the service delivery and being more responsive to citizen needs”.

In Chapter 3 of this dissertation, organisational performance was explored at both a conceptual and operational level, covering various organisational performance theoretical frameworks and models, starting with a basic ‘input-output model’ and extending to very sophisticated ‘input-activities-outputs-outcomes’ organisational performance models. No less than 12 organisational performance models and theoretical frameworks were analysed, each providing a different approach to the concept, yet as a collective these provided the researcher with some key points and indicators that inform the local government governance and performance model as depicted in Chapter 6.

The main strands, elements and constituent parts of organisational performance in municipalities are captured in Section 3.3 and gathered from the various theoretical models and frameworks governing the concept of organisational performance and measurement, which is extensively discussed in sections 3.3.1 to 3.3.12. The

oversight institutions expressing views on municipal performance and their respective roles are covered in sections 3.5.1.1 to 3.5.1.3.

Performance failures in local government and the respective reasons for these failures are covered in Section 3.5.2 and could be attributed to, amongst others, a misalignment between individual employee goals and that of the organisation; no clearly defined managerial roles, which could lead to a lack of clear organisational outcomes; lack of service excellence or delivery culture; non-credible performance reward systems; and opposing interests of various stakeholders or customers. In relation to municipalities' staff capacity and municipal performance failures, contributing factors are the inability to impose corrective action, as may be required when failures occur; political leadership and will; ill-directed funding; and lack of communication with and engagement of communities.

The elements and constituent parts of performance are considered when highlighting the characteristics of high-performance organisations, as covered in Section 3.6 of the dissertation. The characteristics of a high performance organisation include having a clear vision, as well as good leadership that is willing to focus efforts on service, develop requisite human resource capacity and competence, deal with incompetence, reorganise and ensure appropriate organisational structures, improve listening skills, build trust and develop a two-way open communication system between key stakeholders and the municipality.

The main legislative and policy arrangements governing municipal performance are covered extensively in Chapter 4, particularly sections 4.2, 4.3 and 4.4, which provide the history of local government in South Africa, particularly the concept of developmental local government, which is aimed at radically transforming the way local government delivers services. Section 4.3 of this dissertation provides an analysis of the intergovernmental relations system of local government in South Africa, particularly focusing on the constitutional requirements and the powers and functions of local government as a basis or key determinant for municipal performance. Sections 4.4.2 to 4.4.10 of this dissertation provide the legal, regulatory and policy framework for instituting and measuring performance in local government.

7.2.3 Research Question 2 and Sub-Questions

The answers to research question 2 and the sub-questions can be primarily found in chapters 2 and 5 of this dissertation. Section 2.2.2 provides a range of definitions for the concept of ‘governance’, which is widely used in both the public and private sector. There are many authors and much literature that defines the concept, with some authors even suggesting that, given its wide usage, the term can be imprecise, although it has strong intuitive appeal, particularly in the public sector as it relates to achieving policy and organisational objectives.

In defining the concept of governance and good governance, as set out in Section 2.2, the researcher relied mainly on the work of Lee (2003:2); Heinrich and Lynn, Jr. (2000:2); CIPFA (2014:V); the Business Dictionary (2018); and Ramachandran and Ang (2003:5). As governance relates to the public sector environment, the researcher relied on the work of the World Bank (1992); the United Nations and OECD, Osborne and Gaebler (1992); Landell-Mills and Serageldin (1992); Paderanga (1996) and Root (1995). Rhodes, (2006) provides details on various uses of governance, which includes “the minimal state; corporate governance; the new public management” (NPM); good governance; international interdependence; “socio-cybernetic systems; and self-organizing networks”, this is discussed in detail in Section 2.2.2 of this dissertation.

The main strands, elements and constituent parts of good governance in the public sector are extensively covered in sections 2.4 and 2.5 of this dissertation. The dimensions of good governance are covered in sections 2.4.1 to 2.4.4 and include the technical, institutional and political governance dimensions and, whilst acknowledging the contribution of the World Bank (1998), introduces the elements of “open entry and competition in the private sector and dealing with civil society, voice and participation” as part of good governance dimensions. The constituent parts and characteristics of good governance, according to S4C Corporate Governance (2001:27), are covered in Section 2.5.3 of this dissertation and, particularly in the public sector:

- “Good governance means focusing on the organisation’s purpose”, vision “and on outcomes for citizens and service users”;

- “Good governance means performing effectively in clearly defined” and separate functions and roles, particularly between the administration and the executive;
- “Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour”;
- “Good governance means taking informed, transparent decisions and managing risk”;
- “Good governance means developing the capacity and capability of the governing body” (council) to be effective, supported by visionary political and administrative leadership;
- Good governance means building public trust, “engaging stakeholders and making accountability real”; and
- Good governance means mainstreaming and institutionalising transparency, accountability, the “rule of law, participation, responsiveness, consensus oriented, equity, efficiency” and effectiveness.

The main legislative and policy arrangements that guide the governance of local government are covered extensively in Chapter 4, particularly sections 4.2 and 4.3, which provide the history of local government in South Africa along with key definitions and concepts, an analysis of the intergovernmental relations “system of local government in South Africa” and various statutes, such as the Constitution, 1998 White Paper on Local Government, Structures Act, Systems Act and MFMA. These provide the primary legal and regulatory basis for good governance within the municipal environment.

7.2.4 Ancillary Research Question: Governance for Performance Nexus

The ancillary question is aimed at clarifying whether or not there is a causal relationship or link between good governance and municipal performance. Kaufman, et al. (1999), in a “World Bank working paper concluded that there is new empirical evidence that governance matters, in the sense that there is a strong causal relationship from good governance to better development outcomes such as higher

per capita incomes, lower infant mortality and higher literacy”. This view is supported by Kyereboah-Coleman (2017:1), citing Dharwardkar, et al. (2000) who “indicated that effective governance is critical to all economic transactions, especially in emerging and transition economies”.

According to the IFAC (2001:1), “comments such as these, serve to highlight the importance of good governance. In virtually all jurisdictions, the public sector plays a major role in society, and effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving peoples’ lives. Effective governance is also essential for building confidence in public sector entities — which is in itself necessary if public sector entities are to be effective in meeting their objectives”.

According to Kyereboah-Coleman (2007:6), “it is widely acclaimed that good corporate governance enhances a firm’s performance”, citing the work of “Brickley, et al., 1994; Brickley and James, 1987; Byrd and Hickman, 1992; Chung, et al, 2003; Hossain, et al, 2000; Lee, et al., 1992; Rosenstein and Wyatt, 1990; Weisbach, 1988”. There is a generally accepted notion that effective governance enhances performance; however, “other studies have reported [a] negative relationship between corporate governance and performance” (Bathala & Rao, 1995; Hutchinson, 2002) “or have not found any relationship” between good governance and organisational performance (Park & Shin, 2003; Prevost, et al., 2002; Singh & Davidson, 2003; Young, 2003). There are several clarifications that have been provided to explain these inconsistencies in findings.

According to the IFAC (2013:6), “effective governance in the public sector encourages better decision making and the efficient use of resources and strengthens accountability for the stewardship of those resources. Effective governance is characterized by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management, leading to more effective implementation of the chosen interventions, better service delivery, and, ultimately, better outcomes”. People’s lives are thereby improved by the positive performance of local government (municipalities) against stated objectives.

However, there are mixed views on the subject of whether or not there is empirical evidence that the application of good governance principles will result in improved organisational performance. Heracleous (2001:165) summarises that his research outcomes on the relationship between good governance 'best practices' and organisational performance, find the relationship to be insignificant and provides four possible reasons for this: firstly, the possibility that these good governance "best practices in governance are indeed irrelevant to organisational performance, secondly, that the operationalisation of theoretical concepts has low face validity"; thirdly, that studies that have been conducted are generally too narrow, and may ignore "other systemic factors; and lastly, the possibility that different types of organisations require different practices in corporate governance".

Heracleous (2001) argues that the various 'codes of good governance practice' have been drawn up for companies with ineffective governance systems, and by implication will imply "that good governance means higher returns for shareholders and vice versa". He makes the point "that research findings have generally failed to support the purported linkage between" the institution or application of such good governance practices and organisational performance and "that good governance, however, is no guarantee of superior performance and may even be irrelevant" (Heracleous, 2001:166). He adds, however, that 'bad governance' practices may be "more strongly related to underperformance; in other words, good governance may be a qualifier rather than a differentiator" (Heracleous, 2001).

Gillies and Morra (1997:77) opt to not question the underlying "principle that good governance leads to better organisational performance" purely on the basis of a lack of theoretical and empirical evidence. They argue that "common sense tells us that there is a relationship between corporate governance and firm (organisational) performance" and "the fact that various empirical macro-studies in corporate governance have been unable to identify it does not mean that that this relationship does not exist" (Gillies & Morra, 1997). Rambajan (2011:iii), in her "study on the relationship between corporate governance and company performance", concludes that, notwithstanding the absence of appropriate measurement instruments to measure the relationship between governance and performance, statistically, the overall results of her study indicate that the vast majority of the "variables relating to corporate governance had a positive relationship with company performance".

However, Heracleous (2008), in his article 'What is the Impact of Corporate Governance on Organisational Performance?', makes the point that "research on the importance of generally accepted 'best practices' in corporate governance has generally failed to find convincing connections between these practices and organisational performance" or found the "relationship to be insignificant". In his research, he suggests four possible reasons for this unsubstantiated "relationship, that are not mutually exclusive: firstly, the possibility that 'best practices' in governance are indeed irrelevant to organisational performance; secondly, that the operationalisation of theoretical concepts has low face validity; thirdly, that studies are too narrow", and at times ignore "other systemic factors; and ... the possibility that different types of organisations require different practices in corporate governance" (Heracleous, 2008).

In a study by Muhamad (2009) on 'The Relationship Between Good Government Governance and Organization Performance: The Case of MARA Credit Control Department', he applied descriptive, correlation, and regression analyses to test the relationship between "good public sector governance practices (as independent variables)", such as "leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation" and public sector performance (as dependent variable), "represented by the efficiency and effectiveness, productivity and cost and customer satisfaction". The results of the study support all hypotheses theorised for the study and the results of the "correlation analyses revealed that, good public sector governance and its dimensions are associated positively with the performance" of the department (Muhamad, 2009). Further, the results from the "regression analyses also revealed that good public sector governance, as a whole, has a significant effect on public sector performance" (Muhamad, 2009).

Lynn Jr., et al. (2000:257) attempted a similar exercise using qualitative data to test the "relationship between governance and performance in the public sector". They acknowledge the important role of qualitative data in governance research, but conclude that the challenge "is to explain government results, outcomes, impacts or performance in ways that (1) recognise the configurational, political and the administration; and (2) allow for the separate identification of governance arrangements and public management on outcomes of interest while controlling for other factors that affect them". It is about appreciating and taking into account the

context of the wider government system and the potential influences of other levels or components. In this work, they developed a 'logic of governance' model (Lynn, Jr., 2000:244) to demonstrate the variables that impact on performance, but more importantly how variables and sub-components relate and inter-relate with each other, each scenario having the statistical potential of a different outcome.

The analysis and research in this dissertation revealed some discrepancies between good governance variables proven to contribute to municipal performance, and the dissertation explicitly also provides evidence for the correlation between several governance variables and municipal performance. These are provided in chapters 2, 3 and 6 and include variables such as political and administrative independence (separation of powers), oversight, accountability, transparency and openness, quality of leadership (political and administrative) and integrity, technical capacity and capabilities of the administration, role of civil society, stakeholders, public trust, and citizenry voice and involvement (co-create, co-produce and partnering).

However, there is no conclusive evidence on the positive relationship between governance and organisational performance, except to make the point that 'bad governance' will over time progressively lead to poor organisational performance and poor public value creation. The underlying principle that good governance, as generally perceived, leads to better organisational performance is not questioned.

It is the view of the researcher that good governance is a necessary means and can be highly influential on municipal performance. However, good governance on its own is an insufficient condition for municipal performance, given the various other factors influencing this performance.

However, the researcher argues that without adhering to good governance principles, one cannot expect to have good municipal performance – a conclusion drawn from this study and underpinned or anchored in the four main dimensions of the municipal good governance and performance model (Malila model) depicted in Chapter 6. Such a finding is also aligned in the application of the model in the focus group discussions and gleaned from responses and findings from the cases studies at the four selected municipalities, which is also discussed in Chapter 6 of this dissertation.

The findings from the four case studies confirm that in the context of South Africa where many municipal governance failures are directly attributable to lack of accountability, transparency and responsiveness and thus also to the rule of law, adherence to and application of good governance principles remains key, as discussed in Chapter 3 and depicted in the municipal good governance and performance model (Malila model) in Chapter 6.

7.2.5 The Municipal Good Governance and Performance Model

The proposed municipal governance and performance model, as set out in Chapter 6, aims to capture the link between good governance and municipal performance. The municipal governance and performance model (Malila model) is made up of the following key components.

Table 7.1: Linking the chapters, the components and the key performance areas

Component	Key Performance Areas/Variables	Link to dissertation (Section)
Local Government Outcomes (Municipal level) (<i>Outcome level</i>)	Section 152(1) of the Constitution: “Democratic and accountable government” “Provision of services in sustainable manner” “Social and economic development” “Safe and healthy environment” “Community involvement and participation”	Chapters 4 and 6 4.3.1 – 4.3.3 4.4 6.4.1.1 6.4.2.1 - 6.4.2.5
Execution: Within Financial and Administrative Capacity (<i>Output level</i>)	Section 152(2) of the Constitution: Achieve outputs through activities of: The administration The community The political structure (council)	Chapters 4 and 6 4.2.2.4 and 4.3.2 4.2.2.3 - 4.2.2.4 4.2.2.3 – 4.2.2.4 6.4.1.1

Component	Key Performance Areas/Variables	Link to dissertation (Section)
Good Governance Principles and Dimensions (<i>Inputs and activity level</i>)	<p>Influenced by the:</p> <p><i>Internal Environment</i> (culture, leadership, systems, work processes, structures, transparency, political interface, partnering)</p> <p><i>External Environment</i> (political, performance of the economy, funding constraints, community behaviour, legal practice)</p> <p><i>Oversight Institutions</i> (AGSA, NT, DCoGTA, council, parliament, executive councils)</p> <p>Normative Dimension:</p> <p>Rule of Law</p> <p>Human rights and constitutionalism</p> <p>Co-operative governance</p> <p>Separation of powers</p> <p>Transparency, accountability and responsiveness</p> <p>Efficiency, effectiveness and economy</p> <p>Technical Dimension:</p> <p>Visionary managerial leadership/roles and action (practices, characteristics, integrity, attitudes and behaviour)</p> <p>Technical and administrative proficiency</p> <p>Organisational structures</p> <p>Financial rules and human resource systems, processes, culture, values and technology</p> <p>Integrated planning and execution</p> <p>Political interface and objectivity</p> <p>External reporting, accountability, transparency, openness, honesty, efficiency, effectiveness, economy and impact</p>	<p>Chapters 2, 3, 4, 5, 6</p> <p>2.3.2.2 - 2.3.2.8</p> <p>3.2.4</p> <p>3.3.1 - 3.3.12</p> <p>4.3.1 - 4.3.2</p> <p>4.4</p> <p>4.4.2 - 4.4.7</p> <p>6.4.3.1</p> <p>6.4.3.2; 6.4.3</p> <p>Chapters 2, 3, 4, 5, 6</p> <p>2.3.2.3; 2.4.4</p> <p>2.5.1 - 2.5.3</p> <p>3.3.1 - 3.3.12</p> <p>4.3.1 - 4.3.2</p> <p>4.4.1 - 4.4.7</p> <p>6.4.1.2.1</p> <p>6.4.3.1.3</p> <p>Chapters 2, 3, 4, 5, 6</p> <p>2.3.2.3 - 2.4.3</p> <p>2.5.1 - 2.5.3</p> <p>3.2.5</p> <p>3.3.1 - 3.3.12</p> <p>3.6</p> <p>4.3.1 - 4.3.3</p> <p>4.4.1 - 4.4.7</p> <p>6.4.3.1.2</p> <p>6.4.4.1.2</p>

Component	Key Performance Areas/Variables	Link to dissertation (Section)
	Political Dimension:	Chapters 2, 3, 4, 5, 6
	Visionary political leadership/political roles and action (practices, characteristics, attitudes and behaviours)	2.3.2.3
	Political will, accountability, transparency, integrity, coherence and credibility	2.4.1
	Cooperative governance, political structures, capacity and code of conduct	2.5.1 - 2.5.3
	Administrative interface and separation of powers	3.3.1 - 3.3.12
		4.3.1 - 4.3.3
		4.4.1 - 4.4.7
		6.4.2.2.1
		6.4.3.1.1
		6.4.4.1.1
	Participatory/Civil Society Dimension:	Chapter 2, 3, 4, 5, 6
	Participation and voice of stakeholders	2.3.2.3
	Collaboration, co-creation, co-production, partnerships and partnering	2.5.1 - 2.5.3
	Whole of society approach	3.3.1 - 3.3.12
	Role of NGOs, civil society and private sector	4.3.1 - 4.3.3
	Public trust, responsiveness, accountability	4.4.1 - 4.4.7
		6.4.3.1.4
		6.4.4.1.4

What is evident from the above is that there are many governance variables impacting on municipal performance, which include the association between these dependent and independent variables, resulting in a very complex causal structure or relationship that makes it extremely difficult to scientifically prove the causal relationship between good governance and performance. This gap allows for further research opportunities to study and possibly scientifically model the relationship between or within each of these main elements and variables and municipal performance. What the proposed governance and performance model presents is a complex causal structure that acknowledges relationships within and between respective key performance areas, indicators and variables. Mathematically, municipal performance can be expressed by

the following equation: $P = f(i, e)$, or Municipal Performance or Outcomes (P) = $f(i, e)$ where (i) = internal and (e) = external environmental factors impacting on performance.

The external environment factors mainly include the issues highlighted under political dimensions and the participatory, community, stakeholders and civil society dimension of good governance and other matters external to and not under the direct control of the municipality, such as the performance of the economy or policy decisions taken at another sphere of government. The internal environmental factors mainly consist of issues highlighted under the technical dimensions, which in turn include the respective managerial roles, leadership, structures, processes and adherence to the normative dimension of good governance.

7.3 RECOMMENDATIONS

The recommendations flowing from this research are divided into three categories. Firstly, a set of general recommendations that will assist municipalities to improve municipal performance, focusing on institutionalising the application of good governance principles; secondly, the universal use and application of the municipal good governance and performance model; and, thirdly, identifying opportunities for future research flowing from this dissertation and in so doing enriching the subject area of governance and performance.

7.3.1 General Recommendations

The dissertation serves as input for ongoing dialogue on enhancing good governance in the public sector as a basis for public sector performance, particularly within local government. Therefore, the set of general recommendations is not aimed at providing an exhaustive list, but rather at providing good governance pointers to improve municipal performance. The set of recommendations is assembled from the findings in chapters 2 to 5, with the key recommendations as follows.

- From a normative governance dimension perspective:
 - Policy decisions and implementation of such policies must be underpinned by a set of principles, which must include adherence to

the principles set out in the Constitution (1996), namely “adherence to the rule of law”, “Bill of Rights”, co-operative government, policy choices premised on evidence-based practices and adherence to the general normative governance principles, such as transparency, accountability and responsiveness.

- Deliver services in accordance with the mandate of the municipality, ideally only those that the municipality is mandated to perform in terms of the Constitution or other legislation.
 - Changing the face of the rural and urban landscape to proper application of spatial development mandates, thereby ensuring complementarity between urban and rural development with a deliberate emphasis and focus on local economic development.
 - Promote developmental local government by ensuring sustainable development, whilst simultaneously accelerating initiatives to promote poverty eradication, employment and equality.
- From a technical/institutional governance dimension perspective:
 - Administrative leadership that is visionary is honest, has integrity, is driven by a common set of values and sets a good example for the way that leadership should behave (standards of behaviour).
 - Institutional structures, systems and documented processes, particularly in finance, human resource management and technical services, provide the backbone for municipal performance from an institutional perspective.
 - Capacitated staff that are administratively and technically competent and proficient to do what is required, especially the municipal manager, chief financial officer and heads of technical and community services.
 - Delivery or execution of municipal services, applying the rule of law, in the most effective, efficient and economical way that provides value for money (public value) in service delivery.
 - Ensure compliance with rules and regulations (conformance), accountability at all levels, consequences for poor performance and

mismanagement, good intergovernmental relations and good community and stakeholder interface.

- Institute a culture of performance management and accountability.
 - Solve the silo-approach to service delivery, particularly at a horizontal and vertical level, and work towards the attainment of a joint-up and whole-of-government approach.
-
- From a participatory, community and stakeholder governance dimension perspective:
 - Narrow the distance between people and government by strengthening the coordination role and capacities at various levels of government and at ward level as the wards are closest to the people. Strengthen the role of ward committees as a community-based legal and formal structure through which people can make their voices heard and hold council accountable. In addition, there is a need for broader, participatory and developmental models of public participation to deepen democracy through the establishment of alternative (other than ward committees), non-partisan and inclusive public participation and participatory governance processes.
 - Encourage initiatives that will enhance community, NGO, private sector and stakeholder involvement and participation, the co-production and co-creation of public service delivery solutions, accountable and responsive government, institutionalise a 'whole-of-society' approach, respect for the voice of the people and improving public trust. It calls for a shift away from traditional approaches to public participation and participatory democracy to a new approach of citizen-centric governance by recognising the changing role of the citizen and consumers as a client, and by making them part of design and delivery of services. This approach also strengthens accountability. Discover and explore, in alignment with recommendations from the OECD (2018), "how innovation and digital tools can improve participatory mechanisms", including co-

creation and co-production “in the framework of open government initiatives; how access to information laws can be effectively implemented in the region and how to improve institutional communication”. This is a key recommendation moving forward.

- The constitutional provision for community and public participation requires more than mere compliance, as this constitutional objective does not have rule compliance in mind, but rather looks at quality of governance and the role that the community can play in it. Public participation must have an effect. Part of this is to create effective channels of communication, but at the next level it also includes, where applicable, co-production of services. This goal is also linked to the concept of citizen-centric governance and responsive governance, which are related issues that reflect on quality and impact.
- Collaborate, build partnerships and relationships by shifting away from a ‘top-down authorising environment’ which is characterised by political mandates, electoral and budgetary cycles, planning, resource allocation, legislation and regulation, law enforcement and institutional arrangements to a ‘bottom-up mobilising environment’ that is characterised by entrepreneurs, worker-based movements, activists, NGOs, social movements, philanthropy, front-line government staff, active citizens and applied researchers.
- Foster good relations with communities and stakeholders, be responsive to their needs (not only before or during elections), and do not make unrealistic or empty promises that create expectations within communities.
- There is increasing involvement of citizens in service delivery, but it is key to the role that the citizens play and be prepared to play in the design and delivery of those public services that matter most to them. A new concept, introduced by Governance International (2019) and discussed in Chapter 6 has emerged, namely co-production and community governance. This is about creating partnerships to institutionalise “co-commissioning, co-designing, co-delivering and co-assessing public services and outcomes with

service users and local communities with the aim of improving high priority public outcomes through new forms of user and community co-production” (Governance International, 2019). This must be institutionalised to ensure effective and responsive municipal service delivery.

- Acknowledge and give effect to the rights of citizens, but enforce citizen obligations, such as debt collection and, at minimum, ensure that citizens pay for the services consumed and honour their citizenry obligations.

- From a political governance dimension perspective:
 - Political leadership, that is capacitated, visionary, competent, dedicated, is honest, has integrity, is driven by a common set of values and sets a good example in the way that it behaves (code of conduct and standards of behaviour).
 - Improved cooperative government and partnering arrangements across party political lines, in the interest of the citizen.
 - Encourage sound and clean political and administrative interfaces and institutionalise clear accountability lines, particularly as these relate to appointing staff.
 - Political accountability, transparency and responsiveness, including action by political parties against their own councillors when, for example, they do not adhere to the code of conduct for councillors.
 - Inculcate a zero tolerance stance against practices of corruption, fraud and maladministration in council and the administration.
 - Rethink the system of government, particularly the role of district municipalities as the penultimate sphere closest to the people after wards and local municipalities. The current system, with 257 municipalities, is massive and unmanageable and a focus on the metros (eight municipalities) and districts (42 municipalities) as potential service delivery agents would improve the ability of oversight institutions to be effective.

- For oversight institutions, policy-makers and citizens
 - Municipal councils must ensure that the required internal oversight systems are, at minimum, in place and functional, and that council fully understands their role and the accountability cycle of local government.
 - Recommendations from the AGSA reports, given the recent amendments to the Public Audit Act, must be implemented and seen to be implemented. There must be appropriate consequence management, as set out in the MFMA, particularly if matters relate to fraud, corruption and constant mismanagement of public funds. The approach to regulatory audits by AGSA and municipalities must shift from mainly testing compliance to rules and regulations, to auditing and reporting on the performance of public sector institutions, which will improve administrative and political accountability and oversight.
 - The National Treasury and DCoGTA, supported by their provincial counterparts, should have an integrated response plan to monitor, support and intervene in municipalities. The oversight roles and functions between the two departments must be clarified and strengthened in an integrated manner. SALGA should also play a much more active role in supporting municipalities and councillors.
 - Resource alignment, as well as and following a much more focussed approach to oversight and accountability, will positively contribute to increasing the impact on local government.
 - Citizens as electorates, according to Mnguni (2016) and outlined in Chapter 3, “must more actively ensure that they elect capable individuals of moral standing to local government positions. The main aim, at all times, must be to ensure that the existing laws relating to local governance are understood by all stakeholders and that they are enforced when necessary”.

7.3.2 Value of the Study: Use and Application of the Municipal Governance and Performance Model

As indicated earlier in this dissertation, the municipal governance and performance model will have universal use and application for all three spheres of government: national, provincial and local. Municipalities can use the model as a normative basis during their strategic planning and execution phase. As oversight institutions, national and provincial governments can use and apply the model in conducting their oversight functions of local government. Other oversight institutions, such as the national parliament, provincial legislatures, national cabinet, provincial executive councils and the AGSA may also utilise this model in executing their oversight obligations.

The model also finds application and use by communities, stakeholders and citizens, and is ultimately aimed at improving accountability, joint planning, co-creation of solutions and activities involving the 'whole-of-society'. The model provides a solid base and aims to improve the system of local government, particularly overall municipal performance through instilling and institutionalising practices of good governance. The four dimensions of good governance (normative, technical, political and participatory governance), together with sub-elements, as depicted in Chapter 6 of this dissertation, are fundamental to the municipal governance and performance model (Malila model). Good governance provides a solid foundation and departure point for municipalities to perform and institutionalise good governance practices.

7.3.3 Future Research Work

There are some areas that require further research which, given the focus of this dissertation on the subject of governance and municipal performance, were not fully explored in the scope of this dissertation. These include areas that require further theoretical and scientific research, as well as those that require more practical research.

What is evident from the above is that there are many variables impacting on municipal performance, including the relationship between dependent and independent variables. As indicated, the end result is a very complex causal structure or

relationship, making it extremely difficult to scientifically prove the causal relationship or nexus between governance and performance.

This lacuna stimulates and allows for further future research opportunities to identify the conditions on which the application of good governance principles/practices and municipal performance may be dependent. Therefore, this research study can be extended in the following forms:

- A quantitative study that aims to scientifically model the relationship or association between good governance variables as set out in each of the main elements of the model, and their individual and collective impact on municipal performance. This may require the complex causal structure, as set out in the proposed model, to be broken down or delineated into smaller pieces to understand interdependencies that exist amongst the main components and within each of the main components. Based on existing literature, the researcher believes that a hypo-dissertation could be developed to determine and model the relationship with and between the various dependent and independent variables.
- The municipal governance and performance model can also be extended by adding more variables with a special interest in possibly constructing an index for good governance in municipalities and then applying it in various municipalities, indicating the degree of conformity with the good governance principles as set out in this dissertation. This will require the development of multiple, systematic and multi-directional methodologies and good governance variables to measure the impact on municipal performance. In addition, this can include the employment of methodological triangulation through the use of fieldwork primary data as a rich resource for improving the understanding of good governance variables and their impact on municipal performance.
- The study could be extended by combining the cross-sectoral municipal performance and good governance indicator data with time series data having a longer time horizon, as an example, a period covering more than two or three political terms of office, as this may be more appropriate to demonstrate the impact of good governance on performance.

Alternatively, to increase the population size in terms of the number and type of municipalities and also their geographic location in South Africa. This will allow for a deeper understanding of issues of 'territory' through extended analysis over a longer time series and improved dialogue between the various stakeholders through the production of robust descriptions and consequently sound prescription and application. It may also include extending the target population to include the use of less senior staff in the field study, interviews and analysis. The potential is that this approach may produce some more diverse data.

7.3.4 Concluding Remarks

In conclusion, this research highlights the role that local government can play in search of progressively attaining developmental objectives set out in the South African Constitution. It also highlights their potential role in building positively engaged communities that are socially and economically inclusive and connected, where municipalities, together with the other two spheres of government, collectively work with communities to co-create and co-develop bespoke solutions that support municipal performance and joint delivery of the objectives of local government.

Notwithstanding the many challenges facing local government that continue to undermine its capability to discharge its constitutional mandate, the recommendations in this dissertation call for a fundamental shift in the discourse of local government, particularly for increased teamwork, discipline, partnership, care, fairness, integrity, honesty, commitment, work ethic, pursuit of personal and technical excellence in the quest for perfection and respect for self and others, all aimed at fundamentally transforming the lives of community members and ensuring more effective service delivery and sustainable development.

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ANNEXURES

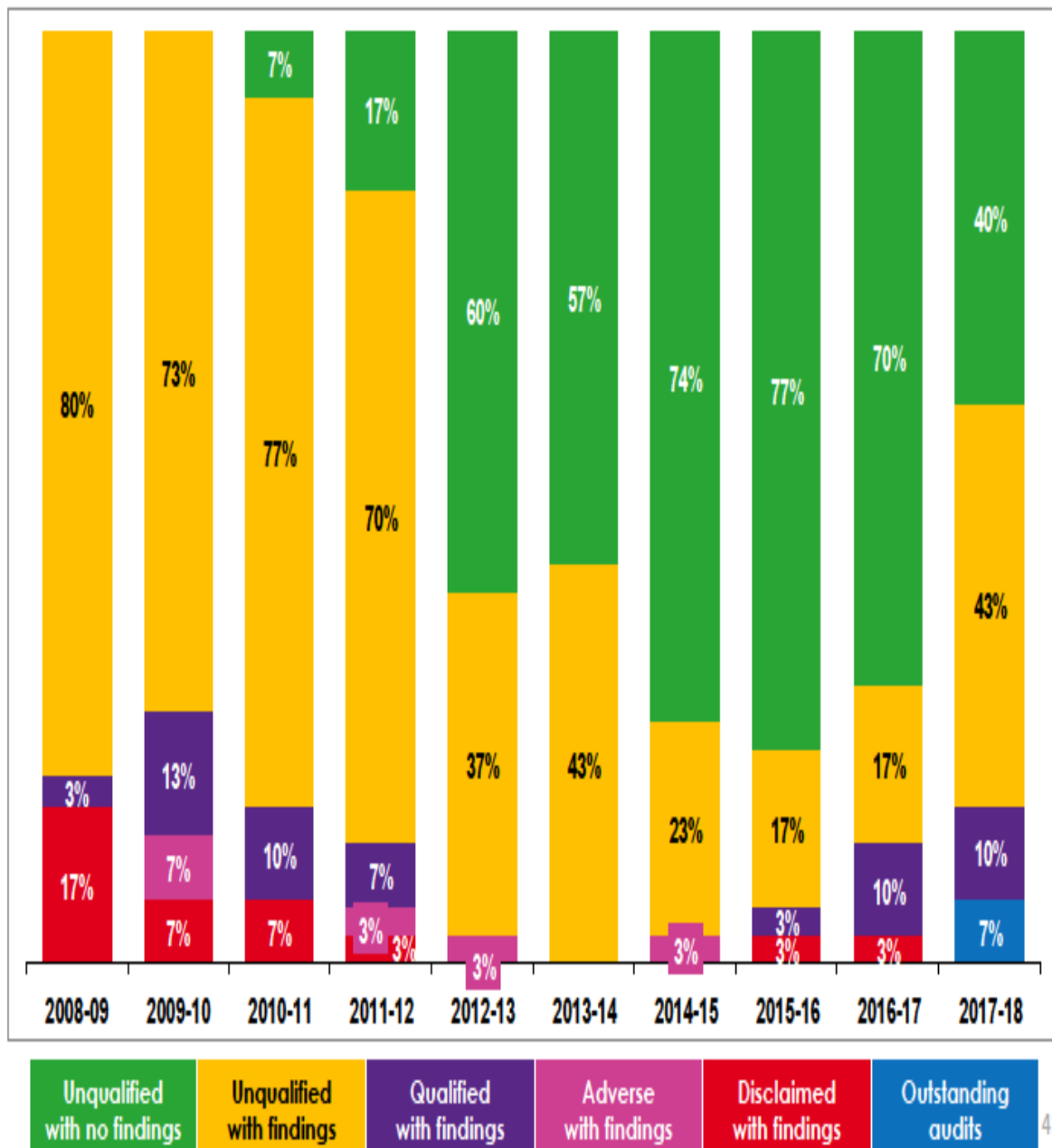
Annexure 3A: Summary of Audit Findings per Municipality in the Western Cape Province (2009/10 – 2017/18)

Municipal Audit Outcomes 2009/10 - 2017/18											
Municipalities	Number of Clean Audits	Comment	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
West Coast District	8	Eight clean audit - 8 in a row	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Swartland	7	Seventh clean audit - 7 in a row		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
George	6	Sixth clean audit - 6 in a row	Qualified	Yes	Yes	Yes	Yes	Yes	Yes		
Langeberg	6	Sixth clean audit - 6 in a row		Yes	Yes	Yes	Yes	Yes	Yes		
Mossel Bay	6	Sixth clean audit - 6 in a row		Yes	Yes	Yes	Yes	Yes	Yes		
Theewaterskloof	5	Fifth clean audit - 5 in a row		Yes	Yes	Yes	Yes	Yes			
Breede Valley	6	Six clean audit - 6 in a row	Yes	Yes	Yes	Yes	Yes	Yes			
Cape Town International	6	Six clean audit - 6 in a row	Yes	Yes	Yes	Yes	Yes	Yes			
Witzenberg	6	Six clean audit - 6 in a row	Yes	Yes	Yes	Yes	Yes	Yes			
Overstrand	6	Six clean audit - 6 in a row	Yes	Yes	Yes	Yes	Yes	Yes			
Cape Winelands District	6	Six clean audit - 6 in a row	Yes	Yes	Yes	Yes	Yes				
Cape Agulhas	5	Five clean audit - 5 in a row	Yes	Yes	Yes	Yes	Yes				
Drakenstein	4	Fourth clean audit - 4 in a row		Yes	Yes	Yes	Yes				
Matzikama	4	Four clean audit - 4 in a row	Yes	Yes	Yes	Yes					
Overberg District	4	Four clean audit - 4 in a row	Yes	Yes	Yes	Yes					
Saldanha Bay	3	Third clean audit - 3 in a row		Yes	Yes	Yes					
Stellenbosch	3	Third clean audit - 3 in a row		Yes	Yes	Yes					
Swellendam	4	Four clean audit - 3 in a row	Yes	Yes	Yes	Yes					
Bergervier	3	Third clean audit - 3 in a row	Yes	Yes	Yes						
Cederberg	2	Second clean audit	Yes	Yes							
Prince Albert	1	First clean audit in CKD area		Yes							
City of Cape Town	5	Mixed Results (Regressed)			Yes	Yes	Yes	Yes			Yes
Central Karoo District	0										
Laingsburg	0		Qualified	Qualified						Qualified	Qualified
Hessequa	5	Fifth clean audit - 5 in a row	Yes	Yes	Yes	Yes	Yes				
Kannaland	0			Qualified	Disclaimed			Adverse	Adverse	Disclaimed	Adverse
Central Karoo Economic Development Agency	0			Qualified					NEW	NEW	NEW
Knysna	4				Yes	Yes	Yes	Yes			
Beaufort West	0		Qualified	Disclaimed							
Oudtshoorn			Qualified	Qualified	Qualified	Adverse				Qualified	Qualified
Eden District	3				Yes	Yes	Yes				
Bitou	3				Yes	Yes	Yes				
Legend <div> <div>Yes</div> <div>Clean audit status</div> </div> <div> <div></div> <div>Unqualified with findings</div> </div> <div> <div>Qualified or Adverse or Disclaimed</div> <div>Audit qualified with findings or Adverse or Disclaimer of Opinion</div> </div>											

Source: Researcher's own analysis and compilation from the respective AGSA Reports between 2009/10 – 2017/18.

Annexure 1B: Local Government: Western Cape Audit Outcomes Over the Past Ten Years (2008/09 – 2017/18) for all Municipalities

Audit outcomes over the past 10 years – local government



Source: Adapted from a presentation by AGSA on the Western Cape Local Government Audit Outcomes 2017-18 (Slide 41). May 2018.

Annexure 2: Powers and Functions – Schedule 4B and Schedule 5B of the Constitution

Section 83, read with sections 84(1) and (2) of the Municipal Structures Act (No. 117 of 1998) (Structures Act) divides up the functions listed in Schedule 4B and 5B of the Constitution between local municipalities and district municipalities as follows:

<p>The matters in Part B Schedule 4¹ – (Functional Areas of Concurrent National and Provincial Legislative Competence)</p> <ul style="list-style-type: none"> • Air pollution; • Building regulations; • Child care facilities; • Electricity and gas reticulation; • Firefighting services; • Local tourism; • Municipal airports; • Municipal planning; • Municipal health services; • Municipal public transport; • Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under the Constitution or any other law; • Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto; • Storm water management systems in built-up areas; • Trading regulations; • Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems. <p>Dual functions: Part B</p> <ul style="list-style-type: none"> ○ Local tourism ○ Municipal health services ○ Municipal public transport 	<p>The matters in Part B of Schedule 5² – (Functional Areas of Exclusive Provincial Legislative Competence)</p> <ul style="list-style-type: none"> • Beaches and amusement facilities; • Billboards and the display of advertisements in public places; • Cemeteries, funeral parlours and crematoria; • Cleansing; • Control of public nuisances; • Control of undertakings that sell liquor to the public; • Facilities for the accommodation, care and burial of animals; • Fencing and fences; • Licensing of dogs; • Licensing and control of undertakings that sell food to the public; • Local amenities; • Local sport facilities; • Markets; • Municipal abattoirs; • Municipal parks and recreation; • Municipal roads; • Noise pollution; • Pounds; • Public places; • Refuse removal, refuse dumps and solid waste disposal; • Street trading; • Street lighting; • Traffic and parking.
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¹ Part B contains local government matters and also a qualification, i.e. that the concurrent powers of national and provincial government on these matters are limited “to the extent set out in section 155(6)(a) and (7).” In essence, the two spheres have jurisdiction over all the matters listed in Part A, but in respect of Part B their jurisdiction is restricted to the extent of the qualification.

² Part B contains local government matters, and also a qualification. The qualification, which is identical to that of Schedule 4, restricts the provincial sphere’s legislative powers to the extent of the qualification. The only difference is that national government does not have such similar powers.

	Dual Functions: Part B <ul style="list-style-type: none">○ Beaches and amusement facilities○ Control of public nuisances○ Local amenities○ Municipal roads○ Noise pollution○ Traffic and parking
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Source: Researcher's own compilation from the Constitution 1996 (schedules 4 and 5).

Annexure 3: Division of Powers and Functions Local Category B and District Category C Municipalities

Section 155(3) of the Constitution requires that the national government adopt legislation for an appropriate division of powers and functions between category B (local) and C (district) municipalities.

Parliament obliged by enacting the Structures Act. Section 83 of the Structures Act does not provide a list of the various functions. It does, however, list the powers and functions of district municipalities and allocates the balance of the functions of Parts B of schedules 4 and 5 to local municipalities.

The following matters are allocated to district municipalities:

- Integrated development planning for the district municipality as a whole, including a framework for integrated development plans of all municipalities in the area of the district municipality;
- Potable water supply systems;
- Bulk supply of electricity, which includes for the purposes of such supply, the transmission, distribution and, where applicable, the generation of electricity;
- Domestic waste-water and sewage disposal systems;
- Solid waste disposal sites, in so far as it relates to:
- The determination of a waste disposal strategy;
- The regulation of waste disposal;
- The establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for more than one local municipality in the district;
- Municipal roads, which form an integral part of a road transport system for the area of the district municipality as a whole;

- Regulation of passenger transport services;
- Municipal airports serving the area of the district municipality as a whole;
- Municipal health services;
- Firefighting services serving the area of the district municipality as a whole, which includes:
- Planning, co-ordination and regulation of fire services;
- Specialised firefighting services such as mountain, veld and chemical fire services;
- Co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures;
- Training of fire officers;
- The establishment, conduct and control of fresh produce markets and abattoirs serving the area of a major proportion of the municipalities in the district;
- The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the district;
- Promotion of local tourism for the area of the district municipality;
- Municipal public works relating to any of the above functions or any other functions assigned to the district municipality;
- The receipt, allocation and, if applicable, the distribution of grants made to the district municipality; and
- The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

Annexure 4: Individual and Community Fundamental Rights Reflected in the Bill of Rights

In particular, the following are appropriate to local government:

- Equality;
- Human dignity;
- Freedom and security of the person;
- Freedom of expression;
- Assembly, demonstration, picket and petition;
- Freedom of association;
- Political rights, freedom of movement and residence;
- Environment;
- Property Health care, food, water and social security; and
- Just administrative action.

Source: SA Constitution, Bill of Rights. (1996).

Annexure 5: List of Main Statutes Impacting on the Functioning of Local Government in South Africa

Basic Conditions of Employment Act No. 75 of 1997

Broad-Based Black Economic Empowerment Act No. 53 of 2003

Competition Act No. 89 of 1998

Companies Act No. 71 of 2008

The Constitution of the Republic of South Africa, 1996

Consumer Protection Act No. 68 of 2008

Division of Revenue Act (annual)

Electricity Regulation Act No. 4 of 2006

Employment Equity Act No. 55 of 1998

Housing Act No. 107 of 1997

Intergovernmental Fiscal Relations Act No. 97 of 1997

Intergovernmental Relations Framework Act No. 13 of 2005

Labour Relations Act No. 66 of 1995

Local Government: Municipal Demarcation Act No. 27 of 1998 (Demarcation Act)

Local Government: Municipal Electoral Act No. 27 of 2000

Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)

Local Government: Municipal Structures Act No. 117 of 1998 (Municipal Structures Act)

Local Government: Municipal Systems Act No. 32 of 2000 (Municipal Systems Act)

Local Government: Municipal Systems Amendment Act No. 7 of 2011

Local Government: Property Rates Act No. 6 of 2004 (Property Rates Act)

Municipal Fiscal Powers and Functions Act No. 12 of 2007

National Land Transport Act No. 5 of 2009

National Small Business Act No. 102 of 1996

National Water Act No. 36 of 1998

Preferential Procurement Policy Framework Act (PPPFA) No. 5 of 2000

Prevention and Combating of Corrupt Activities Act No. 12 of 2004

Promotion of Access to Information Act No. 2 of 2000 (PAIA)

Promotion of Administrative Justice Act No. 3 of 2000 (PAJA)

Promotion of Equality and Prevention of Unfair Discrimination Act No. 4 of 2000

Public Finance Management Act No. 1 of 1999 (PFMA)

Public Finance Management Amendment Act No. 29 of 1999

Public Office-Bearers Act No. 20 of 1998

Remuneration of Public Office Bearers Act No. 20 of 1998

Rental Housing Act No. 50 of 1999

Skills Development Act No. 97 of 1998

South African Qualifications Authority Act No. 58 of 1995

State Information Technology Agency (SITA) Act No. 88 of 1998

Local Government Transition Act No. 209 of 1993

Water Services Act No. 108 of 1997

Source: Researcher's Own Compilation and National Treasury (2011).

Annexure 6: Local Government Statutes in Respect of Performance

(a) The Constitution of RSA (Act No. 108 of 1996)

Section 152: Objectives of local government and accountable government, fundamental for performance management	<p>152 (1) The object of local government is:</p> <ul style="list-style-type: none"> (a) to provide democratic and accountable government for local communities (b) to ensure the provision of services to communities in a suitable manner; (c) to promote social and economic development; (d) to promote a safe and healthy environment and; (e) to encourage the involvement of communities and community organisations in the matter of local government. <p>(2) A municipality must strive, within its financial and administrative capacity, to achieve the set out in Section 152(1) of the Constitution</p>
Section 195(1)(f)	Govern by democratic values and principles is linked with the concept of performance management, i.e. the promotion of efficient, economic and effective use of resources, accountable public administration, to be transparent by providing information to be responsive to the needs of the community and to facilitate a culture of public service and accountability amongst staff.
Section 156(7)	The national government, subject to Section 44, and the provincial governments have the legislative and executive authority to see to the effective performance by municipalities of their functions in respect of the matters listed in schedules 4 and 5, by regulating the exercise by municipalities of their executive authority referred to in Section 156(1) of the Constitution.
Section 41(1)(c)	All spheres of government and all organs of state must provide effective, transparent, accountable and coherent government for the RSA as a whole.

(b) The Local Government Municipal Systems Act (MSA), 2000 and its Regulations

Section	Legislative Empowering Provisions and Requirements
Section 38: Establishment of a performance management system (covering both the implementation and development)	<p>A municipality must:</p> <ul style="list-style-type: none"> (a) Establish a performance engagement system that: is- <ul style="list-style-type: none"> (i) commensurate with its resources; (ii) Best suited to its circumstances; and (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan. (b) Promote a culture of performance management among its political structures, political office bearers and councillors and its administration; and (c) Administer its affairs in an economical, effective, efficient and accountable manner.
Section 39: Development of a performance management system	<p>The executive committee or executive mayor of the municipality or, if the municipality does not have an executive committee or an executive mayor, a committee of councillors appointed by the municipal council must</p> <ul style="list-style-type: none"> (a) Manage the development of a performance management system; (b) Assign responsibility in this regard to the municipal manager; and (c) Submit the proposed system to the municipal council for adoption.
Section 40: Content details of monitoring and review of performance	<p>A municipality must establish mechanisms to monitor and review its performance management system.</p>

management system.	
Section 41: Core components that must be included in the performance management system	<ol style="list-style-type: none"> 1. A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed- <ol style="list-style-type: none"> (a) Set appropriate key performance indicators which are to be used as a yard stick for measuring performance, including outcomes and impact with regard to the municipality's development priorities and objectives set out in its integrated development plan; (b) Set measurable performance targets in respect of each of those development priorities and objectives; (c) With regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraph (a) and (b)- <ol style="list-style-type: none"> (i) Monitor performance; and (ii) Measure and review performance at least once a year. (d) Take steps to improve performance with regard to those development priorities and objectives where performance targets were not met; and (e) Establish a process of regular reporting to- <ol style="list-style-type: none"> (i) the council, other political structures, political office bearers and staff of the municipality; and (ii) the public and appropriate organs of the state. 2. The system applied by a municipality in compliance with subsection 10(c) must be advised in such a way that it may serve as an early warning indicator of underperformance.
Section 42: Community Involvement	A municipality, through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system and in

	particular allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.
Section 43: General performance indicators	<ol style="list-style-type: none"> 1. The Minister, after consultation with the MECs for local government and organised local government representing local government nationally, may- <ol style="list-style-type: none"> (a) By regulation prescribed general key performance indicators that are appropriate and that can be applied to local government generally; and (b) When necessary, review and adjust those general key performance indicators. 2. Key performance indicators set by a municipality must include any general key performance indicators prescribed in terms of subsection (1) to the extent that these indicators are applicable to the municipality concerned.
Section 44: Notification of key performance indicators and performance targets	A municipality, in a manner determined by its council, must make known both internally and to the general public the key performance indicators and performance targets set by it for the purposes of its performance management system.
Section 45: Audit of performance measurements	<p>The results of performance measurements in terms of Section 4(1)(c) must be audited-</p> <ol style="list-style-type: none"> (a) as part of the municipality's internal auditing process; and (b) annually by the Auditor-General.
Section 46: Annual Reports	<ol style="list-style-type: none"> 1. A municipality must prepare for each financial year an annual report consisting of: - <ol style="list-style-type: none"> (a) a performance report reflecting –

	<p>(i) the municipality's and any service provider's performance during that financial year, also in comparison with targets of and with performance in the previous financial year;</p> <p>(ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and</p> <p>(iii) measures that were or are to be taken to improve performance.</p> <p>(b) an audit on financial statements and the report on audit on the audit performed in terms of Section 45(b); and</p> <p>(c) any other reporting requirements in terms of other applicable legislation.</p> <p>2. Any municipality must table its annual report within one month of receiving the audit report in sec (1)(c).</p>
<p>Section 47: Roles and responsibilities of the MEC: Local Government</p>	<p>1. The MEC for local Government must annually compile and submit to the provincial Legislature and the Minister and a consolidated report on performance of municipalities in the province.</p> <p>2. The report must-</p> <p>(a) identify municipalities that underperformed during the year</p> <p>(b) propose remedial action to be taken; and</p> <p>The MEC for Local government must submit a copy of the report to the national council of the provinces. The Regulations and the MFMA provides for the establishment of an internal audit function. Internal Auditing must include assessment</p>

(c) Local Government; Municipal Planning and Performance Management Regulations, 2001

Regulation 14 (1) (a) (b) (c)	<p>(a) A municipality must develop and implement mechanisms, systems and processes for auditing the result of performance, measurements as part of its internal auditing processes.</p> <p>(b) Any audit in terms of paragraph (a) must include assessment of the following:</p> <p>(i) The functionality of the municipality's performance management system.</p> <p>(ii) Whether the performance management system complies with the MSA.</p> <p>(iii) The extent to which the municipality's performance measurements are reliable in measuring performance of the municipality.</p> <p>(c) The municipality's internal auditors must:</p> <p>(i) On a continuous basis, audit the performance measurements of the municipality.</p> <p>(ii) Submit quarterly reports on their audits to the municipal manager and the performance audit committee.</p>
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(d) The Local Government: Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2008) and its Regulations

Section 17 (3)(b): Contents of annual budgets and supporting documents	<p>When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:</p> <p>Measurable performance objectives for revenue for each source and for each vote in the budget, taking into account the municipality's integrated development plan</p>
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<p>Section 53(1)(c)(iii): Budget processes and related matters</p>	<p>The mayor of the municipality must take reasonable steps to ensure:</p> <p>that the annual performance agreements as required in terms of section 57 (1) (b) of the Municipal Systems Act for the municipal manager and all senior managers -</p> <p>(aa) comply with this Act in order to promote sound financial management;</p> <p>(bb) are linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan; and</p> <p>(cc) are concluded in accordance with section 57(2) of the Municipal Systems Act.</p>
<p>Section 53(3)(a)</p>	<p>The mayor must ensure:</p> <p>That the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the delivery and budget implementation plan, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan.</p>
<p>Section 53(3)(b)</p>	<p>That the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.</p>
<p>Section 69(3)(b): Budget implementation</p>	<p>The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor-</p> <p>Draft of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers.</p>

Section 72: Mid-year budget and performance assessment	The accounting officer of a municipality must by 25 January of each year-
Section 72(1)(a)	Assess the performance of the municipality during the first half of the financial year, taking into account- (ii) The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities. Submit a report on such assessment to:
Section 72(1)(b)	(i) the mayor of the municipality (ii) the National Treasury (iii) the relevant provincial treasury.
Section 75: Information to be placed on websites of municipalities	The accounting officer of a municipality must place on the website referred to in section 21A of the Municipal Systems Act the following documents: All performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act
Section 75(1)(d)	
Section 87: Budgets	The budget of the municipal entity must-
Section 87(5)(d)	Include a multi-year business plan for the entity that- (i) Sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality

Section 88: Mid-year budget and performance assessment	The accounting officer of a municipality entity must by 20 January of each year –
Section 88(1)(a)	Assess the performance of the entity during the first half of the financial year
Section 88(1)(b)	Submit a report on such assessment to (i) the board of directors of the entity; and (ii) the parent municipality of the entity.
Section 116: Contracts and contract management	The accounting officer of a municipality or municipal entity must
Section 116(2)(b)	Monitor on a monthly basis the performance of the contractor under the contract or agreement.
Section 116(2)(d)	Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
Section 121: Preparation and adoption of annual reports	The annual report of a municipality must include-
Section 121(3)(c)	The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.
Section 121(3)(f)	An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3)(b) for revenue collection from each

<p>Section 121(4)(d)</p>	<p>revenue source and for each vote in the municipality's approved budget for the relevant financial year.</p> <p>An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.</p>
<p>Section 122: Preparation of financial statements</p> <p>Section 122(1)(a)</p>	<p>Every municipality and every municipal entity must for each financial year prepare annual financial statements which –</p> <p>Fairly present the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year</p>

(e) The Local Government: Municipal Structures Act (No. 117 of 1998) and its Regulations

Section 19	<p>(1) A municipal council must strive within its capacity to achieve the objectives set out in section 152 of the Constitution.</p> <p>(2) A municipal council must annually review-</p> <ul style="list-style-type: none"> (a) the needs of the community; (b) its priorities to meet those needs; (c) its processes for involving the community; (d) its organisational and delivery mechanisms for meeting the needs of the community; and (e) its overall performance in achieving the objectives referred to in subsection (1). <p>(3) A municipal council must develop mechanisms to consult the community and community organisations in performing its functions and exercising its powers.</p>
Section 56(3((a)-(d)	<p>(3) The executive mayor in performing the duties of office, must-</p> <ul style="list-style-type: none"> (a) identify and develop criteria in terms of which progress in the implementation of the strategies, programmes and services referred to in subsection (2) (c) can be evaluated, including key performance indicators which are specific to the municipality and common to local government in general; (b) evaluate progress against the key performance indicators; (c) review the performance of the municipality in order to improve- <ul style="list-style-type: none"> (i) the economy, efficiency and effectiveness of the municipality; (ii) the efficiency of credit control and revenue and debt collection services; and (iii) the implementation of the municipality's by-laws; and (d) monitor the management of the municipality's administration in accordance with the directions of the municipal council.

Source: Researcher's own compilation from various local government legislation relevant to the research topic and as discussed in Chapters 4 and 5 of this dissertation.

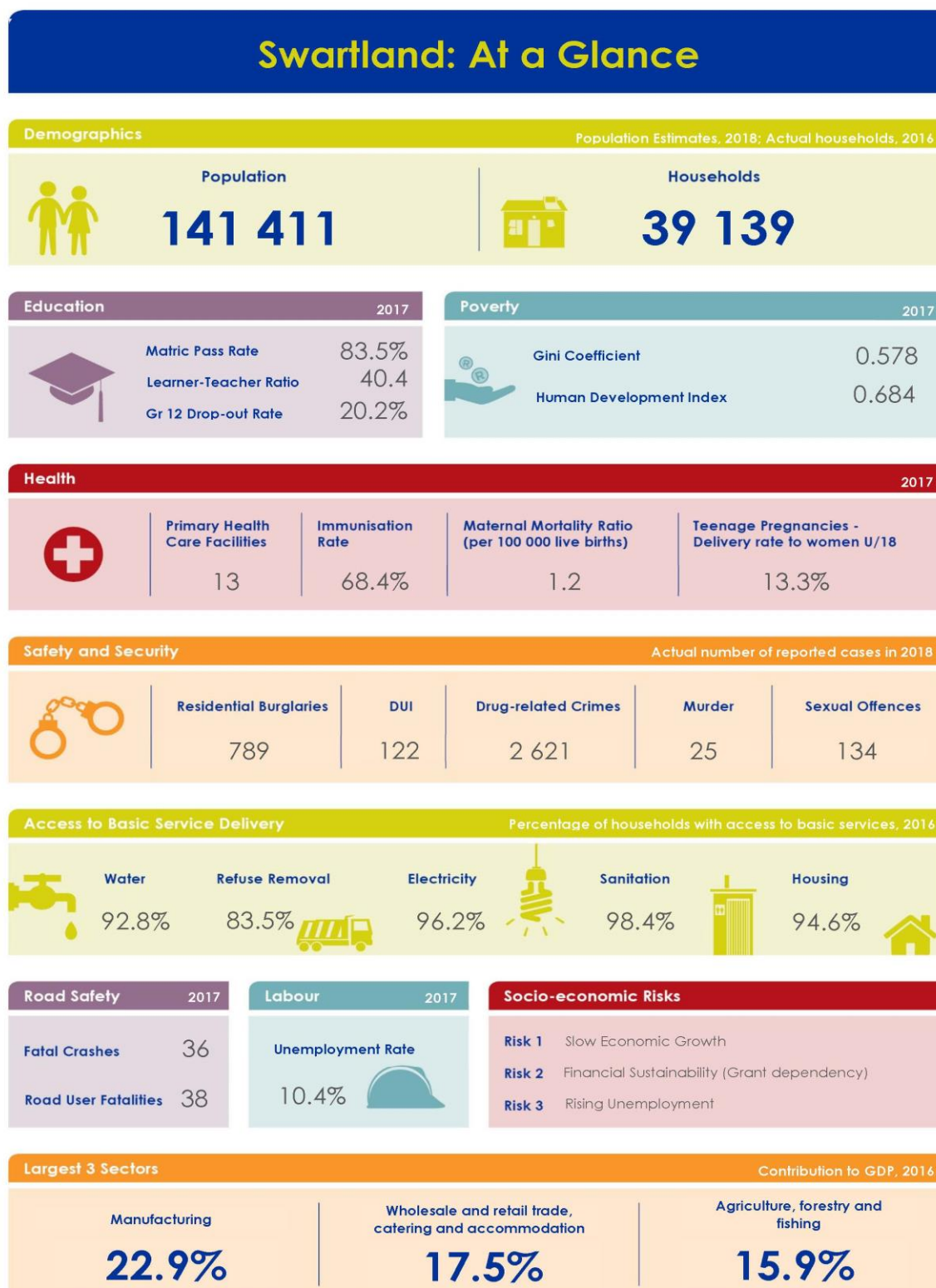
Annexure 7: Municipal Service Delivery Data and Profiles of Individual Municipalities Sampled in the Research

Annexure 7A: Municipal Service Delivery Data and Profiles

Kannaland Municipality	HOUSING AND BASIC SERVICES (%)											
	Population size		housing		water		sanitation		electricity		refuse	
	2001	23975	2001	96.9	2001	92.0	2001	64.0	2001	93.3	2001	58.0
	2011	24767	2011	96.3	2011	94.0	2011	78.0	2011	98.1	2011	66.0
	2018	23897	2016	97.4	2016	93.6	2016	93.0	2016	85.7	2016	79.2
	2020e	25 253										
Swartland Municipality	HOUSING AND BASIC SERVICES (%)											
	Population size		housing		water		sanitation		electricity		refuse	
	2001	72118	2001	93.4	2001	93.0	2001	85.7	2001	96.8	2001	70.0
	2011	113762	2011	90.9	2011	99.0	2011	93.0	2011	99.5	2011	76.0
	2018	141411	2016	94.6	2016	92.8	2016	98.4	2016	96.2	2016	83.5
	2020e	152 846										
Oudtshoorn Municipality	HOUSING AND BASIC SERVICES (%)											
	Population size		Housing		Water		Sanitation		Electricity		Refuse	
	2001	84 691	2001	87.0	2001	93.0	2001	82.0	2001	87.6	2001	81.0
	2011	95 933	2011	88.5	2011	95.0	2011	82.0	2011	96.9	2011	78.0
	2018	98 026	2016	91.2	2016	98.5	2016	92.0	2016	90.2	2016	87.4
	2020e	102 639										
City of Cape Town			HOUSING AND BASIC SERVICES (%)									
	Population size		Housing		Water		Sanitation		Electricity		Refuse	
	2001	2 893 247	2001	83.0	2001	98.7	2001	87.3	2001	88.8	2001	93.0
	2011	3 740 026	2011	78.4	2011	99.3	2011	91.4	2011	94.0	2011	94.3
	2018	4 236 290	2016	81.6	2016	99.8	2016	94.3	2016	97.7	2016	87.8
	2020e	4 400 004										

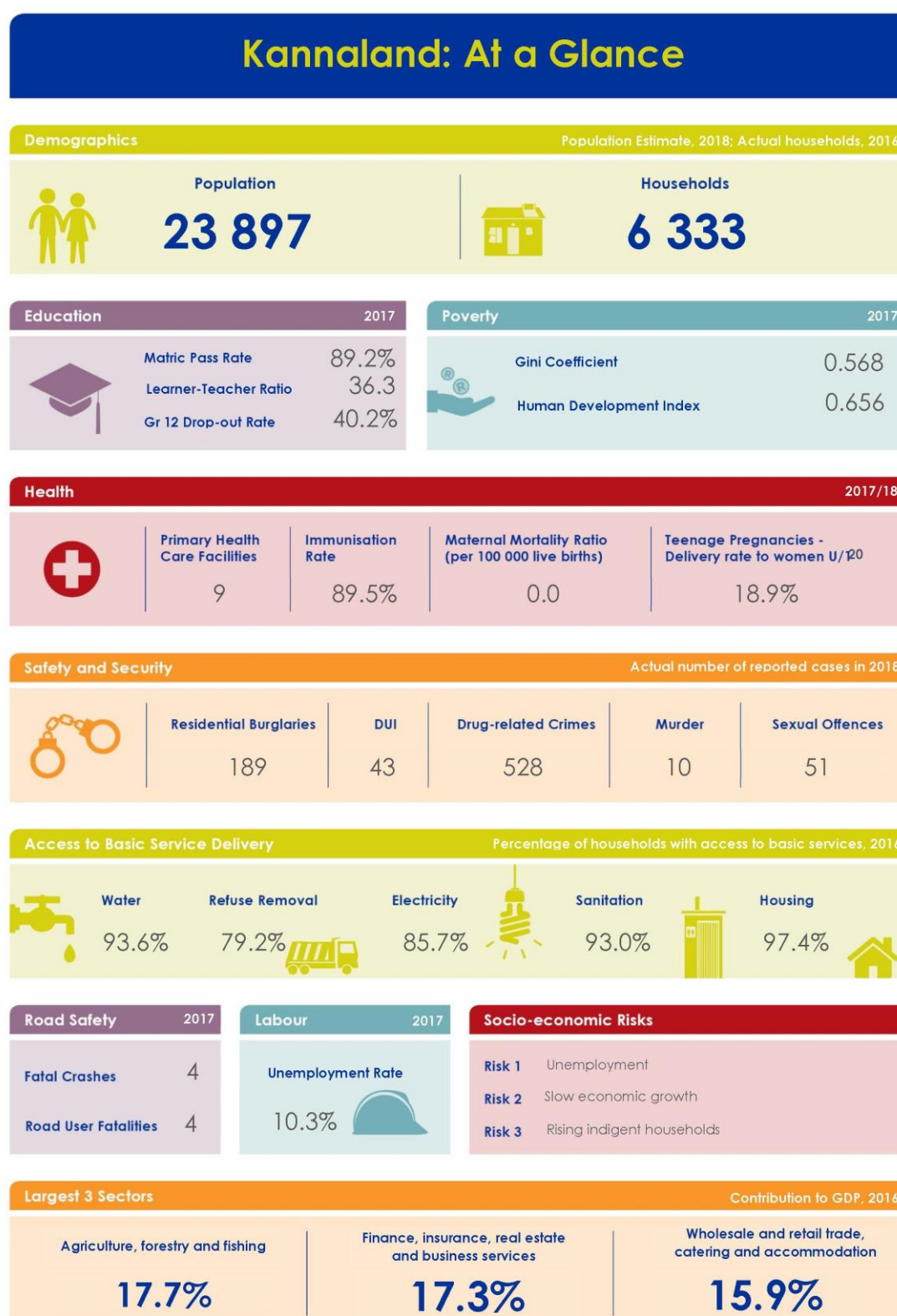
Source: Researcher's own compilation; adapted from the Municipal Socio-economic Profile (SEP-LG) (2017) for each municipality.

Annexure 7B: Swartland Municipal Service Delivery Data and Profile



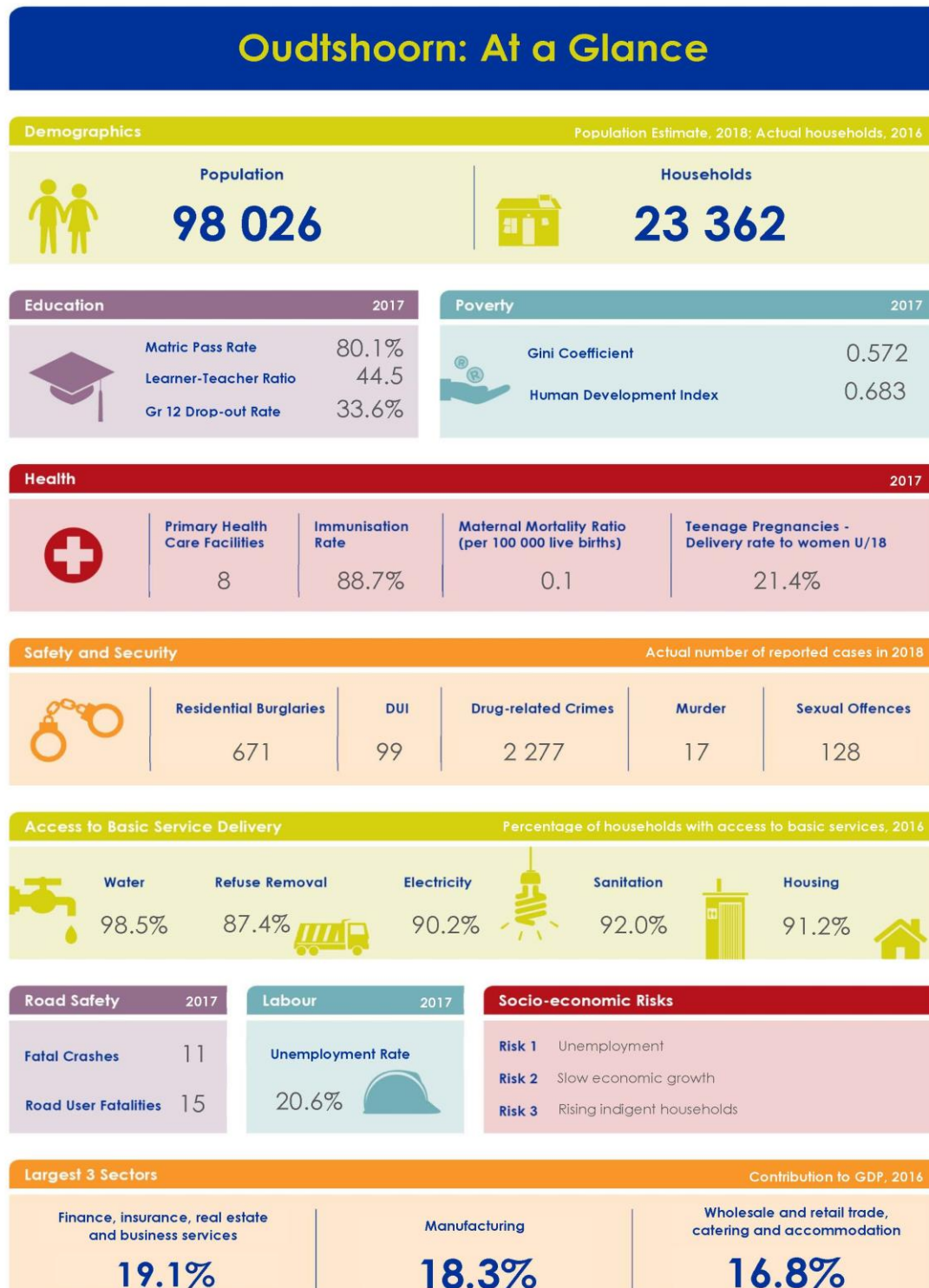
Source: Socio-Economic Profile: Swartland Municipality (SEP-LG) (2017).

Annexure 7C: Kannaland Municipal Service Delivery Data and Profiles



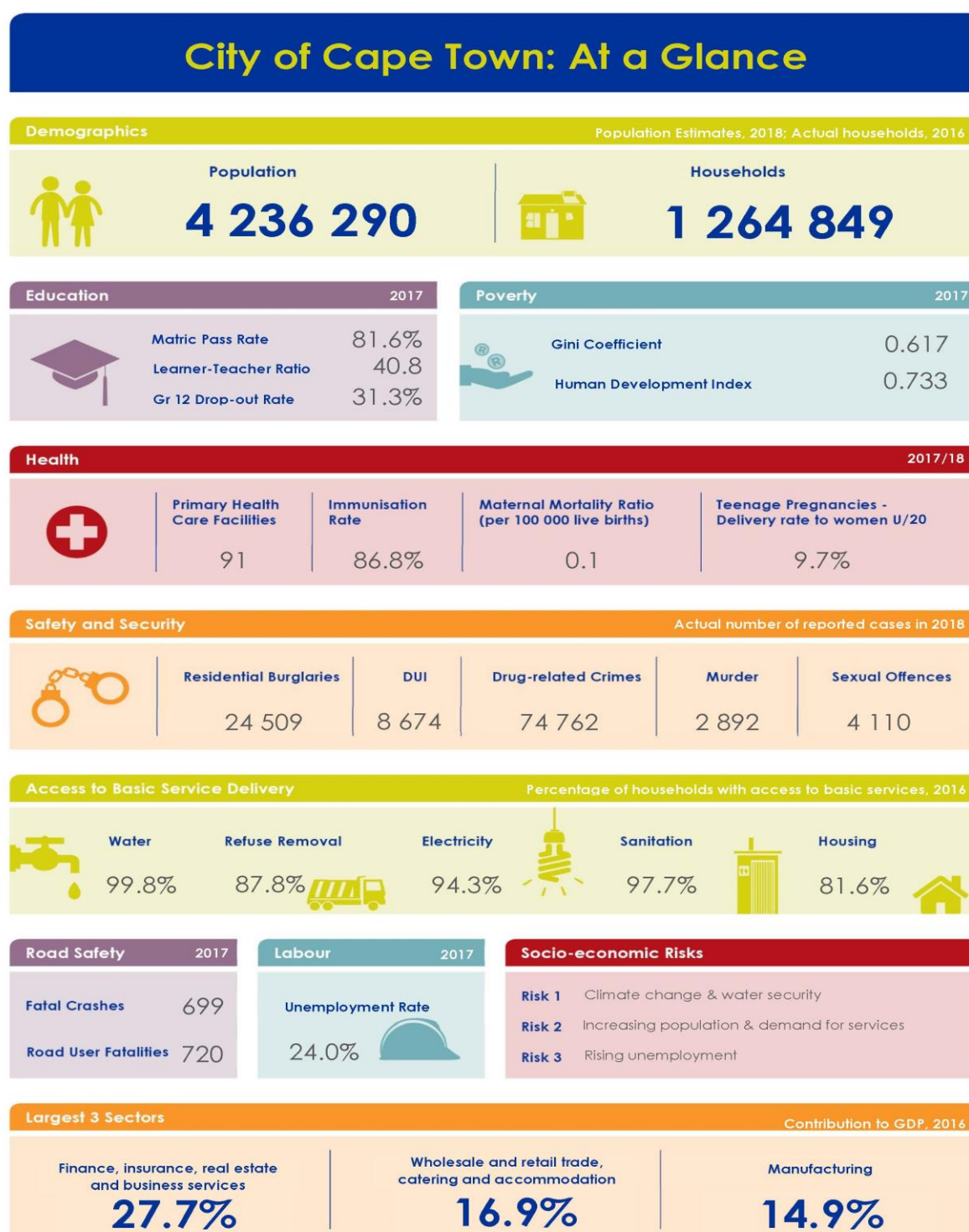
Source: Socio-Economic Profile: Kannaland Municipality (SEP-LG) (2017).

Annexure 7D: Oudtshoorn Municipal Service Delivery Data and Profiles



Source: Socio-Economic Profile: Oudtshoorn Municipality (SEP-LG) (2017).

Annexure 7E: City of Cape Town Service Delivery Data and Profiles



Source: Socio-Economic Profile: City of Cape Town (SEP-LG) (2017).

Annexure 8: Focus Group Participants – Local Government Knowledge and Experience

Dr. JC Stegmann	<p>Economist specialising in policy and planning and medical doctor.</p> <p>More than 40 years' public sector experience, in policy and senior management.</p> <p>More than 25 years' local government experience.</p> <p>More than 20 years as Head of Department Finance (Treasury).</p> <p>Instrumental in a crafting local government legislation such as the MFMA, Systems Act, Structure Act and White Paper on Local Government.</p> <p>Regarded as a specialist in the public sector, particularly in local government matters.</p> <p>Provincial and Local Government Pubic Entity Board experience.</p>
Prof. Andrew Boraine	<p>Current CEO of the Western Cape Economic Development Partnership.</p> <p>Economic expert in urban and economic development and partnering for systems change.</p> <p>Experience working in local government and development sector for more than 40 years, most in senior management levels.</p> <p>First post-apartheid City Manager for City of Cape Town during transition.</p> <p>Instrumental in crafting the 1998 White Paper on Local Government.</p> <p>Founder of the SA Cities Network.</p>
Mr. Graham Paulse	<p>Acknowledged in the country and respected as a local government policy expert.</p> <p>Senior Treasury Official responsible for local government finance since 2000-2015.</p> <p>Head of Department Local Government since 2015 to date, responsible for 30 municipalities.</p> <p>Leading initiatives in the local government environment in the Western Cape and RSA.</p> <p>Masters degree in Public Administration with more than 30 years' experience in local government matters, most of them at a senior management level.</p> <p>Key driver of integrated planning, budgeting and execution across the government spheres.</p> <p>Head of Disaster Management (linkage to municipalities)</p> <p>Lead on responding to the water crisis (2017-2019) in the City of Cape Town.</p>

Dr. Nlelya Ndodana	<p>PhD in Economics and Policy Planning.</p> <p>Academic and public sector expert for about ten years in provincial and local government.</p> <p>Senior official at Provincial Treasury having oversight responsibilities for local government finance and fiscal policy matters relating to local government for 30 municipalities.</p> <p>Has been employed in an economic policy environment at a metropolitan municipality and in provincial government.</p> <p>Published academically on local government policy and community matters.</p>
Dr. Hildergarde Fast	<p>PhD in Philosophy and Policy.</p> <p>Experienced leader in development and policy and implementation.</p> <p>Previous Head of Department for Local Government and Housing for more than ten years responsible for supporting 30 municipalities.</p> <p>Previously Head of Local Government Research at the Financial and Fiscal Commission, focusing on local government policy matters (six years).</p> <p>High level applied researcher with extensive experience inside and outside of government in the RSA.</p> <p>Acknowledged and respected as a seasoned local government policy expert.</p>
Mr Johannes Elton	<p>Senior official in the Provincial Treasury responsible for municipal oversight for more than 15 years.</p> <p>Diploma in Municipal Finance Management</p> <p>Experienced, particularly in implementing local government reforms at the major municipalities in the Western Cape province.</p> <p>Coordinates all local government activities.</p> <p>Recognised in the Province and at national level as a local government expert in policy and the practical implantation of reforms.</p> <p>Responsible for all local government oversight matters at the City of Cape Town Metropolitan Municipality.</p>

Appendix 9: Focus Group: Interview Guide and Structure

Introduction

Dear members of the Focus Group

Thank you for responding to my request and agreeing to part of this focus group discussion.

The research project will focus on developing an integrated conceptual diagnostic governance framework to address performance sustainability challenges of Municipalities in South Africa. Given your specialised knowledge in the field of local government public policy, complemented by your experience and knowledge on the subject matter of local government governance and performance, you have been identified as a participant in this focus group.

The research has focussed on the topical issue of municipal performance and the role of good governance as an enabler for municipal performance. Municipal performance in the context of the research refers to the ability of a municipality to give effect to the objects of local government as set out in Section 152 of the Constitution, within the administrative and financial means of the municipality whilst applying good governance practices in delivering on its key obligations in an effective, efficient, economically and impactful manner.

In pursuit of the stated goals and focus, the aim will be to develop of a conceptual municipal good governance and performance model that would address the key local government governance challenges and its associated impact on local government performance. The conceptual municipal good governance and performance model or framework would identify the critical inherent requirements for municipal governance and performance sustainability in South Africa. It is envisaged that this municipal good governance and performance model would guide municipalities on the key requirements and conditions or minimum standards that should be in place as a good basis to ensure and improve municipal performance sustainability in South Africa. In this regard, key research questions have been developed which I will aim to answer through this research, which will include your own insights as part of the focus group.

Content Contribution from members of the focus group

You will not be required to evaluate the thesis document. During the focus group sessions, discussions and interviews, I will present you with the background to the study, the problem statement and research questions and a high level overview of the research content which enabled me to develop the municipal and governance and performance model. Given your own experience in this field, what will be required from you as a member of the focus group will be following:

- provide useful comments, insights and information that would enable me to compliment and answer some of the research questions relevant to the study, and
- comment, engage and deliberate, by providing recommendations, on the content and the proposed theoretical governance and performance model aimed at addressing performance challenges of Municipalities in SA.

Risks, confidentiality and ethical considerations

I want to assure you that ethical principles will be strictly adhered to throughout the research process, in order to maintain a high standard of work and a high quality of the research project. The information obtained will only be used for purposes of this study and will ensure anonymity and confidentiality of potential research participants and respondents. If so required, a copy of the write-up of my findings on the focus group, once approved by the University, can be made available to yourself.

Thank you for your participation. I look forward to a fruitful engagement.

Harry

Annexure A: Framework of Questions for Focus Group

Taking into account the research questions, consider the following:

Q1. Over the past few years, how would you characterise the performance of municipalities in SA and what, in your view, are the contributing factors (both externally and internally) that have impacted on the performance of municipalities. In your response, expand on your understanding of the measurement as it relates to measuring or expressing a view on performance in municipalities in SA.

Q2. In your own experience, what are the risks in the SA IGR System in relation to the performance of municipalities and what can be done to deal with these risks?

Q3. Provide your views on what you believe is the role played by and how the interface between the following has impacted on the performance of municipalities over the past years?

- (a) Council, the Mayor, the Mayoral Committee, and the Executive Management
- (b) Community organisations
- (c) Private sector / business partners, etc.

Q4. There are some best practices out there with some municipalities doing consistently well and others really struggling. Why do you believe is this the case and in your view, what are the things that can change (risks) that will potentially negatively impact on the continued good performance of some municipalities? Distinguish between external and external factors that may impact on the performance of municipalities.

Q5. In your own experience, what do you believe are the links (if any) between governance and performance; and how has this played out in most municipalities in South Africa? Differentiate between those doing very well and those that are really struggling.

Q6: I will now present you with my proposed municipal governance and performance model. Please review it and, given some of your responses above, answer the following:

- Do you believe that the model proposed captures the key requirements for governance and performance?*
- What are your own views on how and where it could be enhanced?*
- Do you think it will be possible to apply the model universally and that it will assist municipalities (institution, councils and communities) and oversight institutions to improve overall governance and performance?*

Annexure B: The proposed governance and performance model – only to be made available during the session to inform the discussions as set out in Question 6.

Annexure C: Research Questions.

Research Question 1:

“What are the inherent requirements for municipal performance in South Africa?”

The sub-questions are as follows:

- What is the all-embracing definition of performance?
- What are the main strands, elements and constituent parts of organisational performance in the Municipalities?
- What are main legislative and policy arrangements governing local government performance?

Research Question 2:

“What role does good governance play in municipal performance?”

The sub-questions are as follows:

- What is the all-embracing definition of governance and good governance?
- What are the main strands, elements and constituent parts of good governance in the public sector?
- What are the main legislative and policy arrangements governing local government governance?

Ancillary Research Question

The ancillary research question is associated and interrelated with the two stated main research questions and is aimed at bringing together the two main research questions. The ancillary question is as follows: **“what is the nexus between good governance and municipal performance”**.

Appendix 10: Municipality Interview Guide and Framework of Questions for Interviews at Each Municipality

Q1. Over the past few years, how would you characterise the performance of xxxxxxxxxx municipality and what, in your view, are the contributing factors (externally and internally) that have impacted on the performance of xxxxxxxxxx municipality? In your response, expand on your understanding of the measurement as it relates to measuring or expressing a view on performance in municipalities.

Q2. In your own experience, what are the risks in the SA IGR System in relation to the performance of municipalities and what can be done to deal with these risks?

Q3. In xxxxxxxxxx municipality, expand on the role played by and the interface between:

- (a) Council, the Mayco, the mayor and the executive management*
- (b) Community organisations*
- (c) Private sector / business partners, etc.*

In the performance of xxxxxxxxxx municipality over the past years?

*Q4. **Things can change in xxxxxxxxxx municipality:** In your view, what are the things that can change (risks) that will potentially negatively impact on the continued performance of xxxxxxxxxx municipality? Distinguish between external and external factors.*

Q5. In your own experience, what do you believe are the links (if any) between governance and performance; and how has this played out in xxxxxxxxxx municipality (necessary requirement, but insufficient condition)?

Appendix 11: Swartland Municipality info request and approval letter

Mr J Scholtz

Municipal Manager: Swartland Municipality

Malmesbury

Via email: JoggieScholtz@swartland.org.za

Dear Municipal Manager

REQUEST FOR PERMISSION BY STUDENT (HC MALILA) TO CONDUCT RESEARCH AT YOUR MUNICIPALITY (SWARTLAND MUNICIPALITY)

The above matter and our earlier discussions in this regard has reference.

I am currently, a student at the School of Public Leadership, Stellenbosch University and currently in the process of completing my PhD in Public Management and Development Planning.

The proposed title of my research will focus on developing an “Integrated conceptual diagnostic governance framework to address performance sustainability challenges of Municipalities in South Africa” which could equally be applied to municipalities in the Western Cape Province. The study is being undertaken under the supervision of Dr DJ Brand and Prof APJ Burger.

The research will focus on the topical issue of municipal performance and the role of good governance as an enabler for municipal performance. Municipal performance in the context of the research refers to “the ability of a municipality to give effect to the objects of local government as set out in Section 152 of the Constitution, within the administrative and financial means of the municipality whilst applying good

governance practices in delivering on its key obligations in an effective, efficient, economically and impactful manner.

In pursuit of the stated goals and focus, the aim will be to develop of a conceptual municipal good governance and performance model that would address the key local government governance challenges and its associated impact on local government performance. The conceptual municipal good governance and performance model or framework would identify the critical inherent requirements for municipal governance and performance sustainability in South Africa. It is envisaged that this municipal good governance and performance model would guide municipalities on the key requirements and conditions or minimum standards that should be in place as a good basis to ensure and improve municipal performance sustainability in South Africa. In this regard, key research questions have been developed which the researcher will aim to answer through this research.

Your Municipality has been identified as one of 4 Municipalities that I would like to use in my sample in responding to some of the research questions and to provide useful insights and information that would enable the researcher to answer some of the research questions relevant to the study. In addition to the academic value that will be derived from this study, it is envisaged that your Municipality, the Western Cape Government and other Municipalities in the Province and in South Africa, will benefit from the outcomes of this research project.

Please be assured that ethical principles will be strictly adhered to throughout the research process, in order to maintain a high standard of work and a high quality of the research project. The information obtained will only be used for purposes of this study and will ensure anonymity and confidentiality of potential research participants and respondents. If so required, a copy of the write-up on my findings at your Municipality, once approved by the University, can be handed to your Municipality for use and application in your environment.

In this regard, I am herewith requesting your approval and permission to collect the necessary data and information from yourself and the relevant officials within your Municipality for the purposes of completing my thesis. Attached find a framework that I have developed that will be applied to guide the discussions and to capture the key

findings and comments from you and your team. Your responsive would feed into the development of a good governance and performance model for Municipalities.

Your cooperation and approval in granting me permission will be highly appreciated.

Yours sincerely,

Harry Malila

Student Number: 13208993

Email: harry.malila@westerncape.gov.za

Cell phone: 082 855 5553

Date:

Approved	Not Approved
Signature:	Signature:

Annexure 11A: Framework of Questions for Interviews

Q1. Over the past few years, how would you characterise the performance of Swartland Municipality and what in your view are the contributing factors (externally and internally) that impacted on the performance of Swartland Municipality? In your response, expand on your understanding of the measurement as it relates to measuring or expressing a view on performance in municipalities.

Q2. In your own experience, what are the risks in the SA IGR System in relation to the performance of municipalities and what can be done to deal with these risks?

Q3. In Swartland municipality, expand on the role played by and the interface between the following In the performance of Swartland Municipality over the past years

- (a) Council, the Mayco, the mayor and the Executive Management*
- (b) Community organisations*
- (c) Private sector / business partners, etc.*

*Q4. **Things can change in Swartland Municipality:** In your view, what are the things that can change (risks) that will potentially negatively impact on the continued performance of Swartland Municipality? Distinguish between internal and external factors.*

Q5. In your own experience, what do you believe are the links (if any) between governance and performance; and how has this played out in Swartland Municipality (necessary requirement, but insufficient condition)?